Package ‘greeks’

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Title Sensitivities of Prices of Financial Options and Implied Volatilites

Version 0.8.1

Description Methods to calculate sensitivities of financial option prices for European, Asian, American and Digital Options options in the Black Scholes model, and in more general jump diffusion models. A shiny app to interactively view plot the results is included. Furthermore, methods to compute implied volatilities are provided for a wide range of option types and custom payoff functions. Classical formulas are implemented for European options in the Black Scholes Model, as is presented in Hull, J. C. (2017). Options, Futures, and Other Derivatives, Global Edition (9th Edition). Pearson. In the case of Asian options, Malliavin Monte Carlo Greeks are implemented, see Hudde, A. & Rüschendorf, L. (2016). European and Asian Greeks for exponential Lévy processes. <arXiv:1603.00920>. For American options, the Binomial Tree Method is implemented, as is presented in Hull, J. C. (2017).

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VignetteBuilder knitr

ExperimentalWindowsRuntime ucrt

Archs x64

R topics documented:

`Binomial_American_Greeks`

Computes the Greeks of an American call- or put-option with the Binomial options pricing model

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Description

Computes the Greeks of an American call- or put-option with the Binomial options pricing model

Usage

```
Binomial_American_Greeks(
  initial_price = 100,
  exercise_price = 100,
  r = 0,
  time_to_maturity = 1,
  volatility = 0.3,
  dividend_yield = 0,
  payoff = "call",
  greek = c("fair_value", "delta", "vega", "theta", "rho", "epsilon", "gamma"),
  steps = 1000,
  eps = 1/10000
)
```

Arguments

`initial_price`	• initial price of the underlying asset.
`exercise_price`	• strike price of the option.
`r`	• risk-free interest rate.
`time_to_maturity`	• time to maturity.
`volatility`	• volatility of the underlying asset.
`dividend_yield`	• dividend yield.
`payoff`	• the payoff function, a string in ("call", "put").
`greek`	• the Greek to be calculated.
`steps`	• the number of integration steps.
`eps`	• the step size for the finite difference method to calculate theta, vega, rho and epsilon

Value

Named vector containing the values of the Greeks specified in the parameter greek.

Examples

```
Binomial_American_Greeks(initial_price = 100, exercise_price = 100,
r = 0, time_to_maturity = 1, volatility = 0.3, dividend_yield = 0,
payoff = "call", greek = c("fair_value", "delta", "vega", "theta", "rho",
"epsilon", "gamma"), steps = 20)
```

BS_European_Greeks — *Computes the Greeks of an European call- or put-option, or of digital options in the Black Scholes model*

Description

Computes the Greeks of an European call- or put-option, or of digital options in the Black Scholes model

Usage

```
BS_European_Greeks(
  initial_price = 100,
  exercise_price = 100,
  r = 0,
  time_to_maturity = 1,
  volatility = 0.3,
  dividend_yield = 0,
  payoff = "call",
 greek = c("fair_value", "delta", "vega", "theta", "rho", "epsilon", "lambda", "gamma",
    "vanna", "charm", "vomma", "veta", "speed")
)
```

Arguments

`initial_price`
- initial price of the underlying asset

`exercise_price`
- strike price of the option

`r`
- risk-free interest rate

`time_to_maturity`
- time to maturity in years

`volatility`
- volatility of the underlying asset

`dividend_yield`
- dividend yield

`payoff`
- in c("call", "put", "cash_or_nothing_call", "cash_or_nothing_put", "asset_or_nothing_call", "asset_or_nothing_put")

`greek`
- Greeks to be calculated in c("fair_value", "delta", "vega", "theta", "rho", "epsilon", "lambda", "gamma", "vanna", "charm", "vomma", "veta", "vera", "speed", "zomma", "color", "ultima")

Value

Named vector containing the values of the Greeks specified in the parameter greek.

Examples

```
BS_European_Greeks(initial_price = 120, exercise_price = 100,
r = 0.02, time_to_maturity = 4.5, dividend_yield = 0.015, volatility = 0.22,
greek = c("fair_value", "delta", "gamma"), payoff = "put")
```

BS_Implied_Volatility *Computes the implied volatility for European-, American- and Asian options.*

Description

Computes the implied volatility for European-, American- and Asian options.

Usage

```
BS_Implied_Volatility(
  option_price,
  initial_price = 100,
  exercise_price = 100,
  r = 0,
  time_to_maturity = 1,
  dividend_yield = 0,
  payoff = "call",
  start_volatility = 0.3,
  precision = 1e-09
)
```

Arguments

option_price	• current price of the option
initial_price	• initial price of the underlying asset.
exercise_price	• strike price of the option.
r	• risk-free interest rate.
time_to_maturity	• time to maturity.
dividend_yield	• dividend yield.
payoff	• the payoff function, a string in ("call", "put").
start_volatility	• the volatility value to start the approximation
precision	• precision of the result

Value

Named vector containing the values of the Greeks specified in the parameter greek.

Examples

```
BS_Implied_Volatility(option_price = 27, initial_price = 100,
exercise_price = 100, r = 0.03, time_to_maturity = 5, dividend_yield = 0.015,
payoff = "call")
```

Greeks *Computes the Greeks of various options*

Description

Computes the Greeks of various options

Usage

```
Greeks(
  initial_price,
  exercise_price,
  r,
  time_to_maturity,
  volatility,
  dividend_yield = 0,
  model = "Black_Scholes",
  option_type = "European",
  payoff = "call",
  greek = c("fair_value", "delta", "vega", "theta", "rho", "gamma")
)
```

Arguments

`initial_price`	• initial price of the underlying asset
`exercise_price`	• strike price of the option
`r`	• risk-free interest rate
`time_to_maturity`	• time to maturity in years
`volatility`	• volatility of the underlying asset
`dividend_yield`	• dividend yield
`model`	• the model to be chosen
`option_type`	in c("European", "American", "Asian", "Digital", "Binomial) - the type of option to be considered
`payoff`	• in c("call", "put", "cash_or_nothing_call", "cash_or_nothing_put", "asset_or_nothing_call", "asset_or_nothing_put")
`greek`	• Greeks to be calculated in c("fair_value", "delta", "vega", "theta", "rho", "epsilon", "lambda", "gamma", "vanna", "charm", "vomma", "veta", "vera", "speed", "zomma", "color", "ultima")

Value

Named vector containing the values of the Greeks specified in the parameter `greek`.

Greeks_UI *Opens a shiny app to plot option prices and Greeks*

Description

Opens a shiny app to plot option prices and Greeks

Usage

```
Greeks_UI()
```

Implied_Volatility *Computes the implied volatility for various options via Newton's method*

Description

Computes the implied volatility for various options via Newton's method

Usage

```
Implied_Volatility(
  option_price,
  initial_price = 100,
  exercise_price = 100,
  r = 0,
  time_to_maturity = 1,
  dividend_yield = 0,
  model = "Black_Scholes",
  option_type = "European",
  payoff = "call",
  start_volatility = 0.3,
  precision = 1e-06,
  max_iter = 30
)
```

Arguments

`option_price`	• current price of the option
`initial_price`	• initial price of the underlying asset
`exercise_price`	• strike price of the option
`r`	• risk-free interest rate
`time_to_maturity`	• time to maturity in years
`dividend_yield`	• dividend yield
`model`	• the model to be chosen
`option_type`	in c("European", "American", "Asian", "Digital") - the type of option to be considered

`payoff`
- in c("call", "put")

`start_volatility` initial guess

`precision` precision of the computation

`max_iter` maximal number of iterations of the approximation

Value

Named vector containing the values of the greeks specified in the parameter `greek`.

Examples

```
Implied_Volatility(15, r = 0.05, option_type = "Asian",
payoff = "call")
```

Malliavin_Asian_Greeks

Computes the Greeks of an Asian option with the Malliavin Monte Carlo Method in the Black Scholes model

Description

Computes the Greeks of an Asian option with the Malliavin Monte Carlo Method in the Black Scholes model

Usage

```
Malliavin_Asian_Greeks(
  initial_price = 100,
  exercise_price = 100,
  r = 0,
  time_to_maturity = 1,
  volatility = 0.3,
  dividend_yield = 0,
  payoff = "call",
  greek = c("fair_value", "delta", "rho", "vega", "theta", "gamma"),
  model = "black_scholes",
  lambda = 0.2,
  alpha = 0.3,
  jump_distribution = function(n) stats::rt(n, df = 3),
  steps = round(time_to_maturity * 252),
  paths = 10000,
  seed = 1,
  antithetic = FALSE
)
```

Arguments

initial_price	• initial price of the underlying asset
exercise_price	• strike price of the option
r	• risk-free interest rate
time_to_maturity	• time to maturity in years
volatility	• volatility of the underlying asset
dividend_yield	• dividend yield
payoff	• the payoff function, either a string in ("call", "put", "digital_call", "digital_put"), or a function
greek	• the Greek to be calculated
model	• the model to be chosen in ("black_scholes", "jump_diffusion")
lambda	• the lambda of the Poisson process in the jump-diffusion model
alpha	• the alpha in the jump-diffusion model influences the jump size
jump_distribution	• the distribution of the jumps, choose a function which generates random numbers with the desired distribution
steps	• the number of integration steps
paths	• the number of simulated paths
seed	• the seed of the random number generator
antithetic	• if TRUE, antithetic random numbers will be chosen to decrease variance

Value

Named vector containing the values of the Greeks specified in the parameter greek.

Examples

```
Malliavin_Asian_Greeks(initial_price = 110, exercise_price = 100,
r = 0.02, time_to_maturity = 4.5, dividend_yield = 0.015, volatility = 0.22,
greek = c("fair_value", "delta", "rho"), payoff = "put")
```

Malliavin_Asian_Greeks_Black_Scholes

Computes the Greeks of an Asian option with the Malliavin Monte Carlo Method in the Black Scholes model

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Description

Computes the Greeks of an Asian option with the Malliavin Monte Carlo Method in the Black Scholes model

Usage

```
Malliavin_Asian_Greeks_Black_Scholes(
  initial_price = 100,
  exercise_price = 100,
  r = 0,
  time_to_maturity = 1,
  volatility = 0.3,
  dividend_yield = 0,
  payoff = "call",
  greek = c("fair_value", "delta", "rho", "vega", "theta", "gamma"),
  steps = round(time_to_maturity * 252),
  paths = 10000,
  seed = 1,
  antithetic = FALSE
)
```

Arguments

`initial_price`	• initial price of the underlying asset
`exercise_price`	• strike price of the option
`r`	• risk-free interest rate
`time_to_maturity`	• time to maturity in years
`volatility`	• volatility of the underlying asset
`dividend_yield`	• dividend yield
`payoff`	• the payoff function, either a string in ("call", "put", "digital_call", "digital_put"), or a function
`greek`	• the Greek to be calculated
`steps`	• the number of integration steps
`paths`	• the number of simulated paths
`seed`	• the seed of the random number generator
`antithetic`	• if TRUE, antithetic random numbers will be chosen to decrease variance

Value

Named vector containing the values of the Greeks specified in the parameter `greek`.

Examples

```
Malliavin_Asian_Greeks(initial_price = 110, exercise_price = 100,
r = 0.02, time_to_maturity = 4.5, dividend_yield = 0.015, volatility = 0.22,
greek = c("fair_value", "delta", "rho"), payoff = "put")
```

`Malliavin_European_Greeks` *Computes the Greeks of an European option with the Malliavin Monte Carlo Method in the Black Scholes model*

Description

Computes the Greeks of an European option with the Malliavin Monte Carlo Method in the Black Scholes model

Usage

```
Malliavin_European_Greeks(
  initial_price = 100,
  exercise_price = 100,
  r = 0,
  time_to_maturity = 1,
  volatility = 0.3,
  dividend_yield = 0,
  payoff = "call",
  greek = c("fair_value", "delta", "vega", "theta", "rho", "gamma"),
  model = "Black Scholes",
  paths = 10000,
  seed = 1,
  antithetic = FALSE
)
```

Arguments

`initial_price`	• initial price of the underlying asset
`exercise_price`	• strike price of the option
`r`	• risk-free interest rate
`time_to_maturity`	• time to maturity in years
`volatility`	• volatility of the underlying asset
`dividend_yield`	• dividend yield
`payoff`	• the payoff function, either a string in ("call", "put", "digital_call", "digital_put"), or a function
`greek`	• the greek to be calculated
`model`	• the model to be chosen
`paths`	• the number of simulated paths
`seed`	• the seed of the random number generator
`antithetic`	• if TRUE, antithetic random numbers will be chosen to decrease variance

Value

Named vector containing the values of the Greeks specified in the parameter `greek`

Examples

```
Malliavin_European_Greeks(initial_price = 110, exercise_price = 100,
r = 0.02, time_to_maturity = 4.5, dividend_yield = 0.015, volatility = 0.22,
greek = c("fair_value", "delta", "rho"), payoff = "put")
```

Index