European Vanilla Call and Put Options

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Namespace Documentation

4.1 std_norm Namespace Reference

Functions

- double pdf (double x)

  Probability density function (PDF) for $\mathcal{N}(0,1)$:
- double cdf (double x)

  Cumulative distribution function (CDF) for $\mathcal{N}(0,1)$:

Variables

- const auto norm_coeff = 1.0 / std::pow(2.0 $*$ M_PI, 0.5)

4.1.1 Function Documentation

4.1.1.1 cdf()

```
double std_norm::cdf (
            double x )
```

Cumulative distribution function (CDF) for $\mathcal{N}(0,1)$:

$$\Phi(x) = \frac{1}{\sqrt{2\pi}} \int_{-\infty}^{x} e^{-t^2/2} dt.$$

The definite integral calculation is adapted from Michael Halls-Moore. C++ for Quantitative Finance, 2010 which in turn is an adaptation from Mark S. Joshi. C++ Design Patterns and Derivatives Pricing, 2nd Ed. Cambridge University Press, 2008.

Parameters

x	

Returns

double

References pdf().

Referenced by EuropeanVanillaOption::callPrice(), and EuropeanVanillaOption::putPrice().

4.1.1.2 pdf()

```
double std_norm::pdf (
            double x )
```

Probability density function (PDF) for $\mathcal{N}(0,1)$:

$$f(x) = \frac{1}{\sqrt{2\pi}} e^{-x^2/2}.$$

Parameters

x	

Returns

double

References norm_coeff.

Referenced by cdf().

4.1.2 Variable Documentation

4.1.2.1 norm_coeff

```
const auto std_norm::norm_coeff = 1.0 / std::pow(2.0 * M_PI, 0.5)
```

Referenced by pdf().

Chapter 5

Class Documentation

5.1 EuropeanVanillaOption Class Reference

`#include <eur_van_opt.hpp>`

Public Member Functions

- EuropeanVanillaOption ()

  Default constructor a new European Vanilla Option object.
- EuropeanVanillaOption (const double &K, const double &r, const double &T, const double &S, const double &sigma)

  Parametric constructor of a new European Vanilla Option object.
- double callPrice () const

  Calculate Call option price:
- double putPrice () const

  Calculate Put option price:

Private Member Functions

- void calc_d_ ()

  Calculate intermidiate variables:

Private Attributes

- double K_
- double r_
- double T_
- double S_
- double sigma_
- double d_1_
- double d_2_

5.1.1 Constructor & Destructor Documentation

5.1.1.1 EuropeanVanillaOption() [1/2]

```
EuropeanVanillaOption::EuropeanVanillaOption ( )  [inline]
```

Default constructor a new European Vanilla Option object.

References calc_d_().

5.1.1.2 EuropeanVanillaOption() [2/2]

```
EuropeanVanillaOption::EuropeanVanillaOption (
            const double & K,
            const double & r,
            const double & T,
            const double & S,
            const double & sigma )  [inline]
```

Parametric constructor of a new European Vanilla Option object.

Parameters

K	Strike price of the option
r	Risk-free interest rate
T	Time to maturity (in years)
S	Current price of the underlying asset
sigma	Volatility of the underlying asset's returns

References calc_d_().

5.1.2 Member Function Documentation

5.1.2.1 calc_d_()

```
void EuropeanVanillaOption::calc_d_ ( )  [inline], [private]
```

Calculate intermidiate variables:

$d_1 = \frac{ln(S/K) + (r + \sigma^2/2)T}{\sigma\sqrt{T}}$, represents a standardized measure of how far the current price S is from the strike price K after accounting for the time to maturity, risk-free rate, and volatility.

$d_2 = d_1 - \sigma\sqrt{T}$, reflects the uncertainty (volatility) over the time to maturity.

References d_1_, d_2_, K_, r_, S_, sigma_, and T_.

Referenced by EuropeanVanillaOption(), and EuropeanVanillaOption().

5.1.2.2 callPrice()

```
double EuropeanVanillaOption::callPrice ( ) const  [inline]
```

Calculate Call option price:

$C(S) = SN(d_1) - Ke^{-rT}N(d_2)$, where $N = CDF_{\mathcal{N}(0,1)}$.

Returns

double

References std_norm::cdf(), d_1_, d_2_, K_, r_, S_, and T_.

5.1.2.3 putPrice()

```
double EuropeanVanillaOption::putPrice ( ) const  [inline]
```

Calculate Put option price:

$P(S) = Ke^{-rT}N(-d_2) - SN(-d_1)$, where $N = CDF_{\mathcal{N}(0,1)}$.

Returns

double

References std_norm::cdf(), d_1_, d_2_, K_, r_, S_, and T_.

5.1.3 Member Data Documentation

5.1.3.1 d_1_

```
double EuropeanVanillaOption::d_1_  [private]
```

Referenced by calc_d_(), callPrice(), and putPrice().

5.1.3.2 d_2_

```
double EuropeanVanillaOption::d_2_  [private]
```

Referenced by calc_d_(), callPrice(), and putPrice().

5.1.3.3 K_

```
double EuropeanVanillaOption::K_  [private]
```

Referenced by calc_d_(), callPrice(), and putPrice().

5.1.3.4 r_

```
double EuropeanVanillaOption::r_  [private]
```

Referenced by calc_d_(), callPrice(), and putPrice().

5.1.3.5 S_

```
double EuropeanVanillaOption::S_  [private]
```

Referenced by calc_d_(), callPrice(), and putPrice().

5.1.3.6 sigma_

```
double EuropeanVanillaOption::sigma_  [private]
```

Referenced by calc_d_().

5.1.3.7 T_

```
double EuropeanVanillaOption::T_  [private]
```

Referenced by calc_d_(), callPrice(), and putPrice().

The documentation for this class was generated from the following file:

- src/eur_van_opt.hpp

Chapter 6

File Documentation

6.1 src/eur_van_opt.hpp File Reference

European Vanilla Call and Put Options implementation.

```
#include ¨std_norm.hpp¨
```

Classes

- class EuropeanVanillaOption

6.1.1 Detailed Description

European Vanilla Call and Put Options implementation.

Author

Andrei Batyrov

Version

0.1

Date

2024-12-01

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6.2 src/std_norm.hpp File Reference

Standard normal distribution basic functions implementation.

```
#include <cmath>
```

Namespaces

- namespace std_norm

Functions

- double std_norm::pdf (double x)

  Probability density function (PDF) for $\mathcal{N}(0,1)$:
- double std_norm::cdf (double x)

  Cumulative distribution function (CDF) for $\mathcal{N}(0,1)$:

Variables

- const auto std_norm::norm_coeff = 1.0 / std::pow(2.0 $*$ M_PI, 0.5)

6.2.1 Detailed Description

Standard normal distribution basic functions implementation.

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