

Financial Engineering Lab

Lab 01

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Question 1:

The first question requires us to find the initial values of the European Call and Put options for a given set of initial variables and varying values of the no. of subintervals.

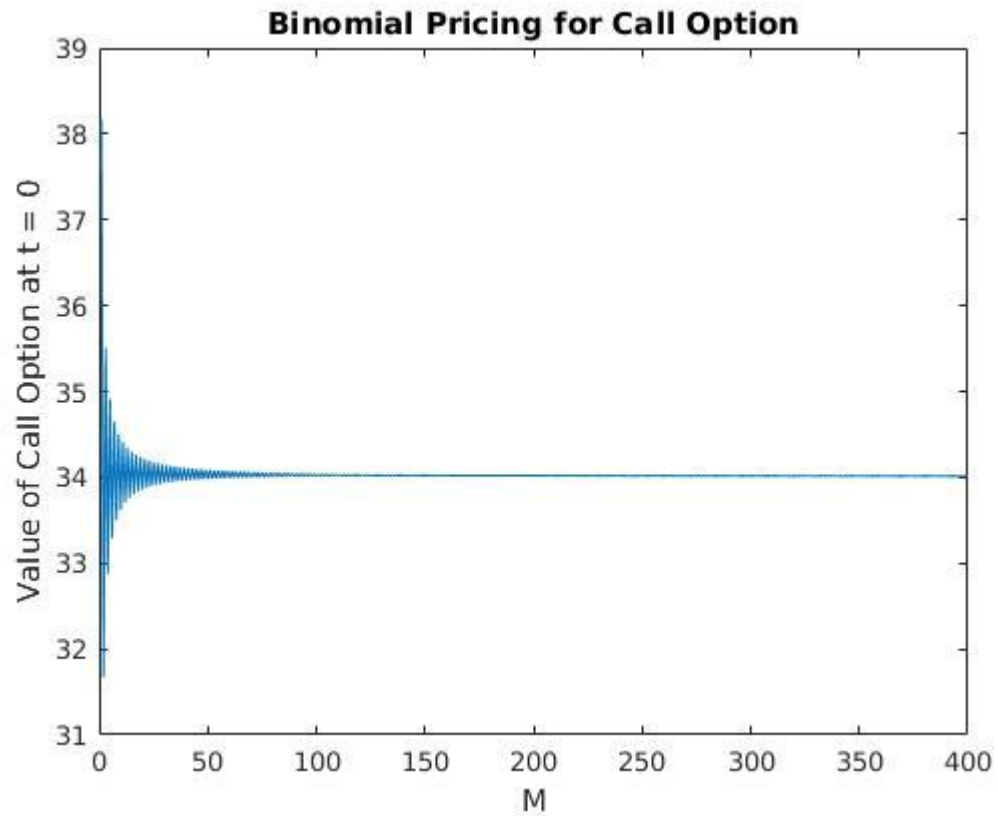
We see that the values of the options are oscillating about a certain value and eventually converge to that value as the no. of subintervals increase.

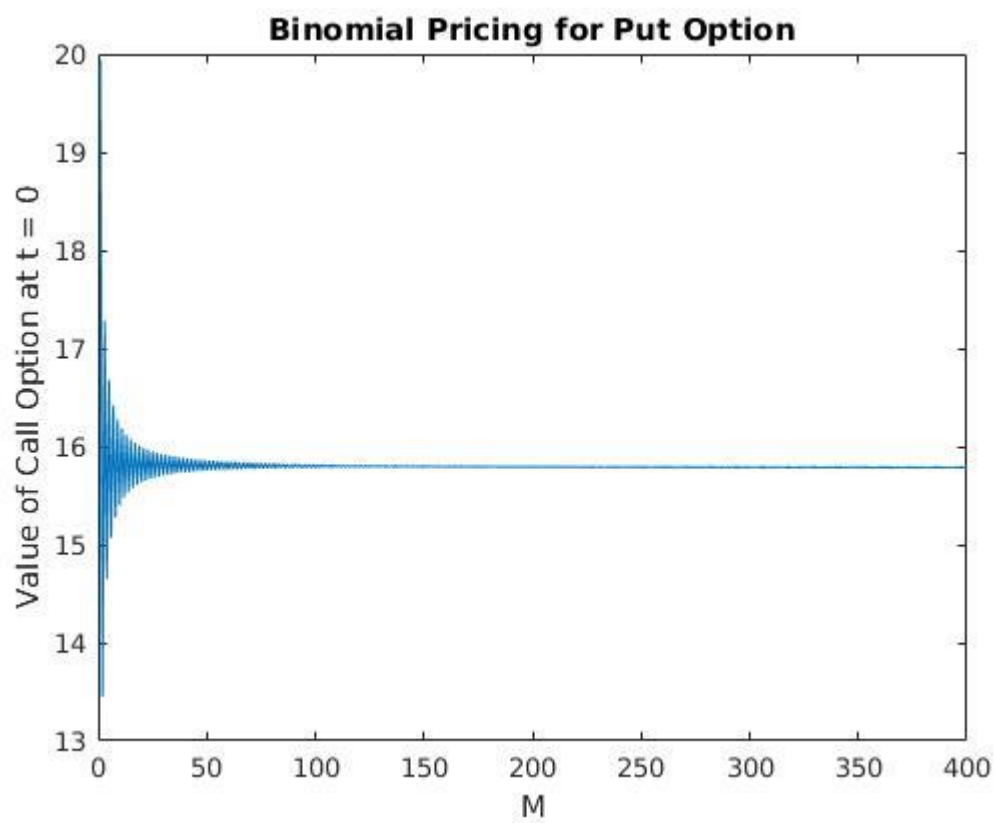
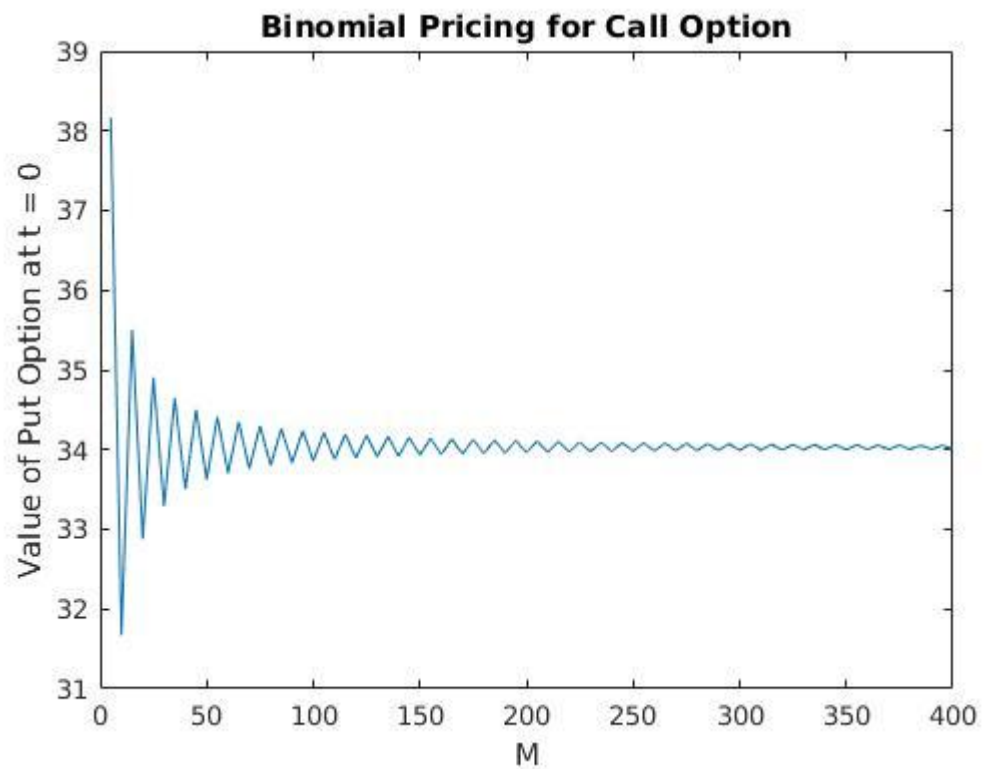
Here are the values of the call and the put options respectively as computed by our function.

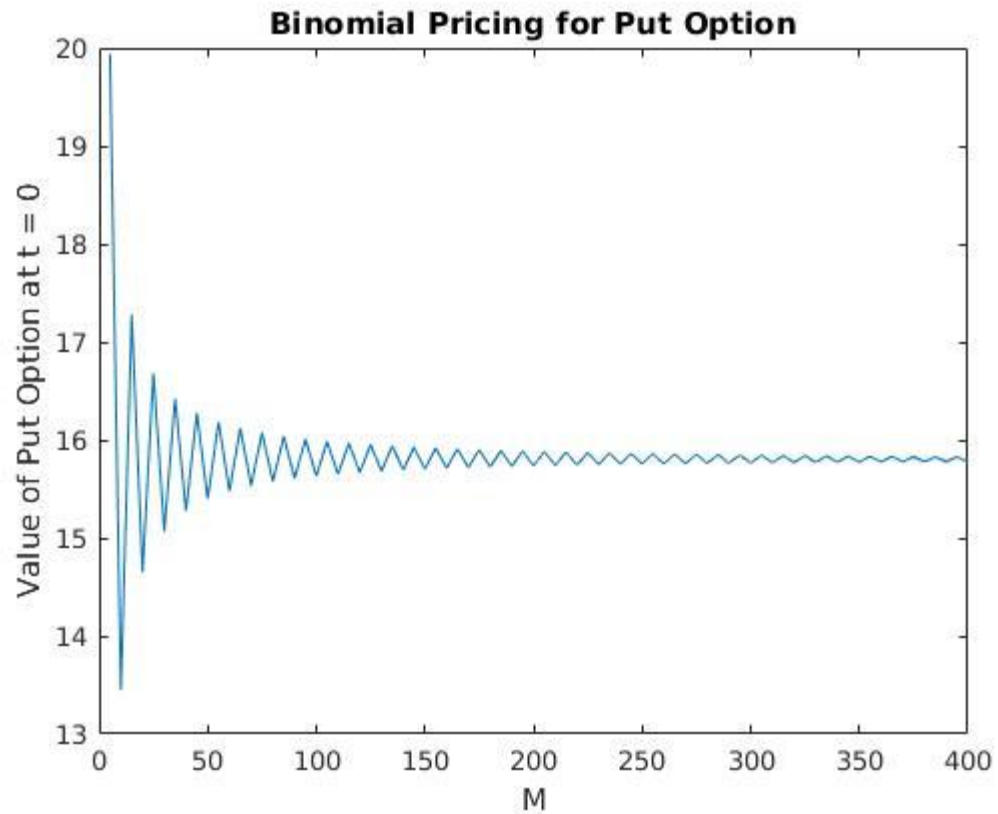
Question 2:

Here we were asked to produce graphs displaying the initial value of the Options with respect to M .

The following graphs were produced.







Question 3:

Here, we are asked to tabulate the values of the options at specific time values t for 20 no. of subintervals.

They are tabulated as follows.