Assignment 03: Solutions

Finance 5350: Computational Finance

Problems

10.1

Let $S = \$100$, $K = \$105$, $r = 8\%$, $T = 0.5$, and $\delta = 0$ (i.e. no dividends). Let $u = 1.3$ and $d = 0.8$, and $n = 1$.

- **a.** What are the premium, Δ, and B for a European call?
- **b.** What are the premium, Δ, and B for a European put?