Project 9
MFE 405: Computational Finance
Professor Goukasian
Student: Xiahao Wang

This is a summary of the project for data visualisation, for detail implementation and result,

please refer to the print out of the program

Qn 1. Numerix Prepayment Model

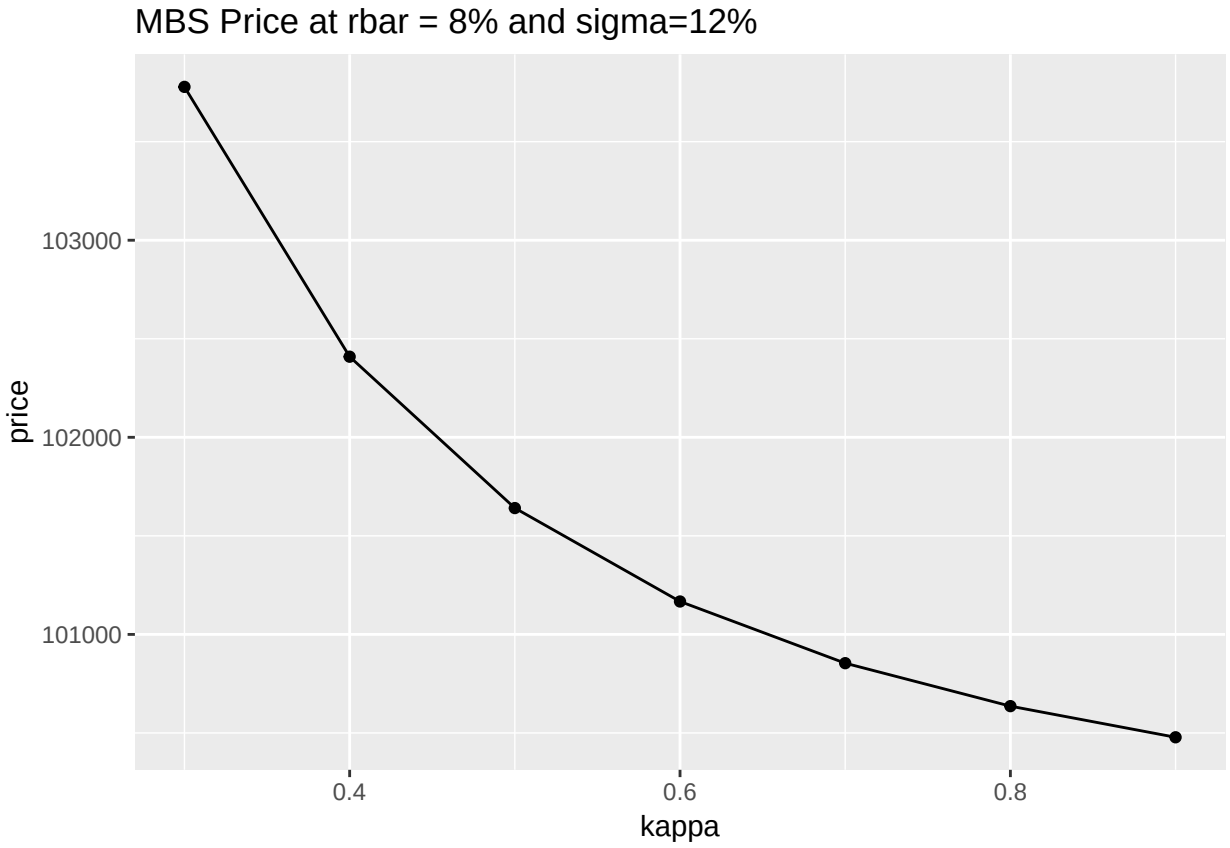
Implementation in C++

(a)

Function in `MortgageBackedSecurities::getNumerixPrepaymentModel` is created. MBS Price at rbar = 8%, kappa = 0.6, and sigma=12% is 101167

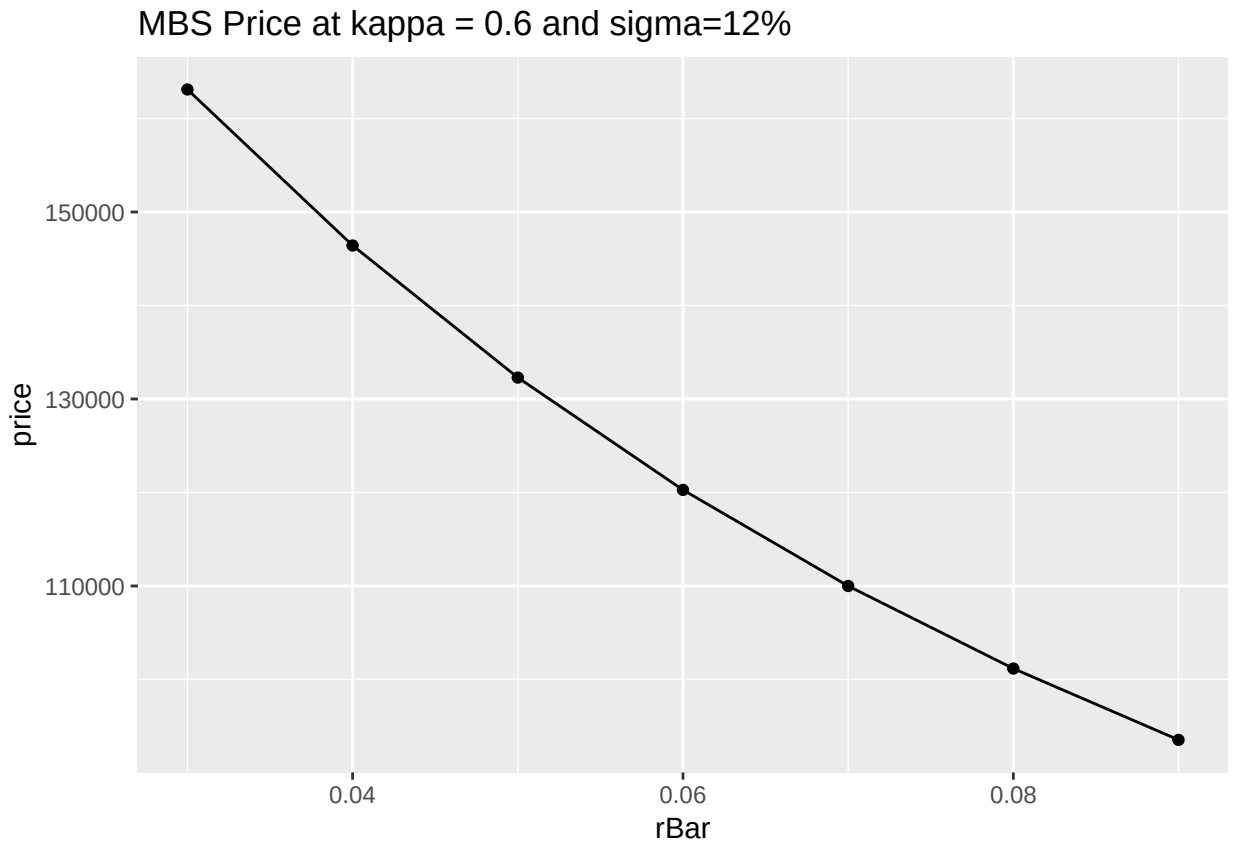
(b)

```
library(ggplot2)
kappa <- seq(0.3,0.9,0.1)
priceB <- c(103778, 102409, 101641, 101167, 100854, 100636, 100478)
df1b <- data.frame(kappa = kappa, price = priceB)
ggplot(data=df1b, aes(x=kappa, y=price)) + geom_line()+ ggtitle("MBS Price at rbar = 8% and sigma=12%")
```



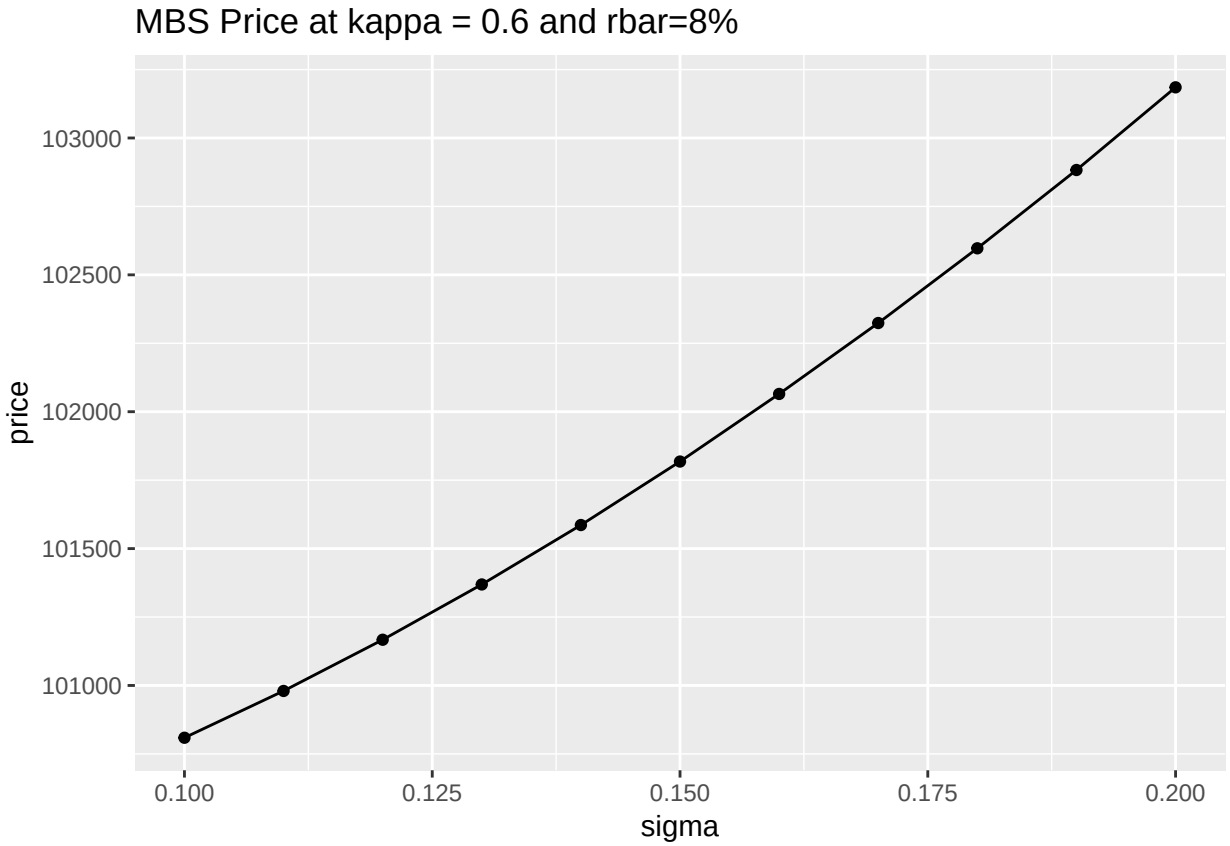
(c)

```r
rBar <- seq(0.03, 0.09, 0.01)
priceC <- c(163104, 146416, 132291, 120274, 109998, 101167, 93537)
df2c <- data.frame(rBar = rBar, price = priceC)
ggplot(data=df2c, aes(x=rBar, y=price)) + geom_line()+ ggtitle("MBS Price at kappa = 0.6 and sigma=12%")
```



(d)

```r
sigma <- seq(0.10, 0.20, 0.01)
priceD <- c(100809, 100980, 101167, 101369, 101586, 101818, 102065, 102324, 102597, 102883, 103185)
df2d <- data.frame(sigma = sigma, price = priceD)
ggplot(data=df2d, aes(x=sigma, y=price)) + geom_line()+ ggtitle("MBS Price at kappa = 0.6 and rbar=8%")
```



Qn 2. OAS Spread

Implementation in C++ Assume rbar = 0.08, kappa = 0.6, sigma = 0.12 when the spread is -0.008492, the price of the MBS is 110,000, which is equal to the market price of 110,000

Qn 3. OAS-adjusted Duration and Convexity

Implementation in C++

Duration: 10.1105 Convexity: 85.8279