3.4 BDT model

Construct a BDT lattice for the following data. Rates are continuously compounded.

Maturity (t)	Spot interest rate (t)	BDT volatility
0.5	0.019	0.35
1	0.023	0.26
1.5	0.027	0.24
2	0.03	0.19

SOLUTION (BDT RATE LATTICE)

```
                                            0.0623
                              0.0489
                  0.0336                    0.0444
       0.0190                  0.0339
                  0.0205                    0.0316
                              0.0235
                                            0.0225
```