We show how to price credit default options and swaps based on a four-factor defaultable term-structure model. We derive the pricing functions and show how to calibrate the model to market prices. Basically, we need three pieces of information: the actual non-defaultable, the defaultable and the zero-recovery defaultable term structure. The first two pieces can be easily obtained from observable market data, the latter can be inferred from the other two. We illustrate the whole pricing process, from model specification and parameter estimation to the actual credit derivatives pricing.
commissioned:
not commissioned

Professional Journal:
Nein

Occurrences:
- Einrichtungen > Fakultäten > Fakultät für Mathematik > Zentrum Mathematik > M13 Lehrstuhl für Finanzmathematik (Prof. Zagst) > Journal Papers

Entries: