

Help

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#include "bs1d_lim.h"

static int Psor_DownOut(double s, NumFunc_1 *p,
    double l, double rebate, double t, double r, double divid,
    double sigma, int N, int M, double theta, double omega,
    double epsilon, double *ptprice, double *ptdelta)
{
    int      Index, PriceIndex, TimeIndex;
    int      j, loops;
    double   k, vv, loc, h, z, alpha, beta, gamma, y, alpha1
        , beta1, gamma1, down, upwind_alphacoef;
    double   error, norm, x, pricenh, pricen2h, priceph;
    double   *P, *Obst, *Rhs;

    /*Memory Allocation*/
    P=(double *)malloc((N+2)*sizeof(double));
    if (P==NULL)
        return MEMORY_ALLOCATION_FAILURE;
    Obst=(double *)malloc((N+2)*sizeof(double));
    if (Obst==NULL)
        return MEMORY_ALLOCATION_FAILURE;
    Rhs=(double *)malloc((N+2)*sizeof(double));
    if (Rhs==NULL)
        return MEMORY_ALLOCATION_FAILURE;

    /*Time Step*/
    k=t/(double)M;

    /*Space Localisation*/
    vv=0.5*SQR(sigma);
    z=(r-divid)-vv;
    loc=sigma*sqrt(t)*sqrt(log(1.0/PRECISION))+fa
        bs(z)*t;

    /*Space Step*/
    x=log(s);
    down=log(1);
    h=(x+loc-down)/(double)(N+1);

    /*Coefficient of diffusion augmented*/

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if ((h*fabs(z))<=vv)
    upwind_alphacoef=0.5;
else {
    if (z>0.) upwind_alphacoef=0.0;
    else if (z<=0.) upwind_alphacoef=1.0;
}
vv-=z*h*(upwind_alphacoef-0.5);

/*Lhs factor of theta-schema*/
alpha=theta*k*(-vv/(h*h)+z/(2.0*h));
beta=1.0+k*theta*(r+2.*vv/(h*h));
gamma=k*theta*(-vv/(h*h)-z/(2.0*h));

/*Rhs factor of theta-schema*/
alpha1=k*(1.0-theta)*(vv/(h*h)-z/(2.0*h));
beta1=1.0-k*(1.0-theta)*(r+2.*vv/(h*h));
gamma1=k*(1.0-theta)*(vv/(h*h)+z/(2.0*h));

/*Terminal Values*/
for(PriceIndex=1;PriceIndex<=N+1;PriceIndex++)
{
    Obst[PriceIndex]=(p->Compute)(p->Par,exp(dow
n+(double)PriceIndex*h));
    P[PriceIndex]= Obst[PriceIndex];
}
P[0]=rebate;

/*Finite Difference Cycle*/
for(TimeIndex=1;TimeIndex<=M;TimeIndex++)
{
    /*Init Rhs*/
    for(j=1;j<=N;j++)
        Rhs[j]=P[j]*beta1+alpha1*P[j-1]+gamma1*P[
j+1];

    /*Psor Cycle*/
    loops=0;
    do
    {
        error=0.;

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        norm=0.;

        for(j=1;j<=N;j++)
        {
            y=(Rhs[j]-alpha*P[j-1]-gamma*P[j+1]
)/beta;
            y=MAX(Obst[j],P[j]+omega*(y-P[j]));

            error+=(double)(j+1)*fabs(y-P[j]);
            norm+=fabs(y);
            P[j]=y;
        }

        if (norm<1.0) norm=1.0;
        error=error/norm;

        loops++;
    }
    while ((error>epsilon) && (loops<MAXLOOPS))
    ;
}
Index=(int)floor((x-down)/h);

/*Price*/
*ptprice=P[Index]+(P[Index+1]-P[Index])*(exp(x)
-exp(down+Index*h))/(exp(down+(Index+1)*h)-exp(
down+Index*h));

/*Delta*/
pricen=P[Index+1]+(P[Index+2]-P[Index+1])*(exp
(x+h)-exp(down+(Index+1)*h))/(exp(down+(Index+2)
*h)-exp(down+(Index+1)*h));
if (Index>0) {
    pricep=P[Index-1]+(P[Index]-P[Index-1])*(
exp(x-h)-exp(down+(Index-1)*h))/(exp(down+(Index)*
h)-exp(down+(Index-1)*h));
    *ptdelta=(pricen-pricep)/(2*s*h);
} else {
    pricen2=P[Index+2]+(P[Index+3]-P[Index+2])*
(exp(x+2*h)-exp(down+(Index+2)*h))/(exp(down+(
Index+3)*h)-exp(down+(Index+2)*h));

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        *ptdelta=(4*pricenh-pricen2h-3*(*ptprice))/(
        2.*s*h);
    }

    /*Memory Desallocation*/
    free(P);
    free(Obst);
    free(Rhs);

    return OK;
}

int CALC(FD_Psor_DownOut)(void *Opt,void *Mod,Pr
    icingMethod *Met)
{
    TYPEOPT* ptOpt=(TYPEOPT*)Opt;
    TYPEMOD* ptMod=(TYPEMOD*)Mod;
    double r,divid,limit,rebate;

    r=log(1.+ptMod->R.Val.V_DOUBLE/100.);
    divid=log(1.+ptMod->Divid.Val.V_DOUBLE/100.);
    limit=((ptOpt->Limit.Val.V_NUMFUNC_1)->Compu
    te)((ptOpt->Limit.Val.V_NUMFUNC_1)->Par,ptMod->T.
    Val.V_DATE);
    rebate=((ptOpt->Rebate.Val.V_NUMFUNC_1)->
    Compute)((ptOpt->Rebate.Val.V_NUMFUNC_1)->Par,ptMod-
    >T.Val.V_DATE);

    return Psor_DownOut(ptMod->S0.Val.V_PDOUBLE,pt
    Opt->PayOff.Val.V_NUMFUNC_1,limit,rebate,
    ptOpt->Maturity.Val.V_DATE-
    ptMod->T.Val.V_DATE,r,divid,ptMod->Sigma.Val.V_PD
    OUBLE,
    Met->Par[0].Val.V_INT2,Met-
    >Par[1].Val.V_INT2, Met->Par[2].Val.V_RGDOUBLE05
    1,Met->Par[3].Val.V_RGDOUBLE12,Met->Par[4].Val.
    V_RGDOUBLE,
    &(Met->Res[0].Val.V_DOUBLE)
    ,&(Met->Res[1].Val.V_DOUBLE));
}

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int CHK_OPT(FD_Psor_DownOut)(void *Opt, void *Mod
)
{
    Option* ptOpt=(Option*)Opt;
    TYPEOPT* opt=(TYPEOPT*)(ptOpt->TypeOpt);

    if ((opt->Parisian).Val.V_BOOL==WRONG)
    if ( (strcmp( ((Option*)Opt)->Name,"
        CallDownOutAmer")==0) || (strcmp( ((Option*)Opt)->Name,"
        PutDownOutAmer")==0) )
        return OK;

    return WRONG;
}

static int MET(Init)(PricingMethod *Met)
{
    static int first=1;

    if (first)
    {
        Met->Par[0].Val.V_INT2=100;
        Met->Par[1].Val.V_INT2=100;
        Met->Par[2].Val.V_RGDOUBLE=0.5;
        Met->Par[3].Val.V_RGDOUBLE=1.5;
        Met->Par[4].Val.V_RGDOUBLE=1.0e-7;

        first=0;
    }

    return OK;
}

PricingMethod MET(FD_Psor_DownOut)=
{
    "FD_Psor",
    {{"SpaceStepNumber",INT2,100,ALLOW    },{"TimeS
        tepNumber",INT2,100,ALLOW},
    {"Theta",RGDOUBLE051,100,ALLOW},{"Omega",RG
        DOUBLE12,100,ALLOW}, {"Epsilon",RGDOUBLE,100,ALLOW},{"
        ",END,0,FORBID}},

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CALC(FD_Psor_DownOut),  
{{"Price",DOUBLE,100,FORBID},{ "Delta",DOUBLE,10  
    0,FORBID} ,{" " ,END,0,FORBID}},  
CHK_OPT(FD_Psor_DownOut),  
CHK_psor,  
MET(Init)  
};
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References