

[Help](#)

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#include "bs2d_std2d.h"
#include "error_msg.h"
#define PRECISION 1.0e-7 /*Precision for the localization of FD methods*/

static int howard_amer2(double s1, double s2, NumFunc_2 *p, double t, doubler,
{
    double k, h, x1, x2, sigma11, sigma21, sigma22, m1, m2, trend1, trend2, limit,
    double **P, **Obst, **G, **R, **A, **B, **Q;
    int Index, TimeIndex, i, j;
    int **pp;

    /*Memory Allocation*/
    P = (double **)calloc(N + 1, sizeof(double *));
    if (P == NULL)
        return MEMORY_ALLOCATION_FAILURE;
    for (i = 0; i < N + 1; i++)
    {
        P[i] = (double *)calloc(N + 1, sizeof(double));
        if (P[i] == NULL)
            return MEMORY_ALLOCATION_FAILURE;
    }

    R = (double **)calloc(N + 1, sizeof(double *));
    if (R == NULL)
        return MEMORY_ALLOCATION_FAILURE;
    for (i = 0; i < N + 1; i++)
    {
        R[i] = (double *)calloc(N + 1, sizeof(double));
        if (R[i] == NULL)
            return MEMORY_ALLOCATION_FAILURE;
    }

    Obst = (double **)calloc(N + 1, sizeof(double *));
    if (Obst == NULL)
        return MEMORY_ALLOCATION_FAILURE;
    for (i = 0; i < N + 1; i++)

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{
    Obst[i] = (double *)calloc(N + 1, sizeof(double));
    if (Obst[i] == NULL)
        return MEMORY_ALLOCATION_FAILURE;
}

pp = (int **)calloc(N + 1, sizeof(int *));
if (pp == NULL)
    return MEMORY_ALLOCATION_FAILURE;
for (i = 0; i < N + 1; i++)
{
    pp[i] = (int *)calloc(N + 1, sizeof(int));
    if (pp[i] == NULL)
        return MEMORY_ALLOCATION_FAILURE;
}

G = (double **)calloc(N + 1, sizeof(double *));
if (G == NULL)
    return MEMORY_ALLOCATION_FAILURE;
for (i = 0; i < N + 1; i++)
{
    G[i] = (double *)calloc(N + 1, sizeof(double));
    if (G[i] == NULL)
        return MEMORY_ALLOCATION_FAILURE;
}

A = (double **)calloc(N + 1, sizeof(double *));
if (A == NULL)
    return MEMORY_ALLOCATION_FAILURE;
for (i = 0; i < N + 1; i++)
{
    A[i] = (double *)calloc(N + 1, sizeof(double));
    if (A[i] == NULL)
        return MEMORY_ALLOCATION_FAILURE;
}

B = (double **)calloc(N + 1, sizeof(double *));
if (B == NULL)
    return MEMORY_ALLOCATION_FAILURE;
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for (i = 0; i < N + 1; i++)
{
    B[i] = (double *)calloc(N + 1, sizeof(double));
    if (B[i] == NULL)
        return MEMORY_ALLOCATION_FAILURE;
}

Q = (double **)calloc(N + 1, sizeof(double *));
if (Q == NULL)
    return MEMORY_ALLOCATION_FAILURE;
for (i = 0; i < N + 1; i++)
{
    Q[i] = (double *)calloc(N + 1, sizeof(double));
    if (Q[i] == NULL)
        return MEMORY_ALLOCATION_FAILURE;
}

/*Covariance Matrix*/
sigma11 = sigma1;
//sigma12=0.0;
sigma21 = rho * sigma2;
sigma22 = sigma2 * sqrt(1.0 - SQR(rho));

m1 = (r - divid1) - SQR(sigma11) / 2.0;
m2 = (r - divid2) - (SQR(sigma21) + SQR(sigma22)) / 2.0;

/*Space Localisation*/
limit = sqrt(t) * sqrt(log(1 / PRECISION));
h = 2 * limit / (double)N;

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

/*Terminal Values*/
x1 = log(s1);
x2 = log(s2);
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trend1 = exp(x1 + m1 * t);
trend2 = exp(x2 + m2 * t);

for (i = 1; i < N; i++)
    for (j = 1; j < N; j++)
    {
        P[i][j] = (p->Compute)(p->Par, trend1 * exp(sigma11 * (-limit + h * (dou
    }

/*Homegenous Dirichlet Conditions*/
for (i = 0; i <= N; i++)
{
    P[i][0] = 0.;
    P[i][N] = 0.;
    P[0][i] = 0.;
    P[N][i] = 0.;
}

/*Factor*/
aa = 1 + 2.*k / (h * h) + r * k;
bb = -0.5 * k / (h * h);

/*Finite Difference Cycle*/
for (TimeIndex = 1; TimeIndex < M + 1; TimeIndex++)
{
    trend1 = exp(x1 + m1 * (t - TimeIndex * k));
    trend2 = exp(x2 + m2 * (t - TimeIndex * k));

    for (i = 1; i < N; i++)
        for (j = 1; j < N; j++)
            Obst[i][j] = (p->Compute)(p->Par, trend1 * exp(sigma11 * (-limit + h *

/*Init pp and R*/
for (i = 0; i <= N; i++)
    for (j = 0; j <= N; j++)
    {
        pp[i][j] = 0;
        R[i][j] = -P[i][j];
    }

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    }
/*Howard Cycle*/
do
{
    error = 0.;

    for (i = 1; i < N; i++)
        for (j = 1; j < N; j++)
        {
            Q[i][j] = P[i][j];
            g0 = P[i][j] * aa + (P[i + 1][j] + P[i - 1][j] + P[i][j + 1] + P[i][j - 1]);
            g1 = P[i][j] - Obst[i][j];
            if (g0 < g1) pp[i][j] = 0;
            else pp[i][j] = 1;
        }

    for (i = 1; i < N; i++)
        for (j = 1; j < N; j++)
        {
            if (pp[i][j] == 0)
            {
                G[i][j] = -R[i][j];
                A[i][j] = aa;
                B[i][j] = bb;
            }
            else
            {
                G[i][j] = Obst[i][j];
                A[i][j] = 1;
                B[i][j] = 0.;
            }
        }

/*Solve the system*/
do
{
    error2 = 0.;
    for (i = 1; i < N; i++)
        for (j = 1; j < N; j++)
        {
            temp = P[i][j];

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        P[i][j] = -(P[i + 1][j] + P[i - 1][j] + P[i][j + 1] + P[i][j - 1]) / 4;
        error2 += fabs(P[i][j] - temp);
    }
}
while (error2 > epsilon);

for (i = 1; i < N; i++)
    for (j = 1; j < N; j++)
        error += fabs(P[i][j] - Q[i][j]);

}
while (error > epsilon);
/*End Howard Cycle*/
}
/*End Finite Difference Cycle*/

Index = (int)((double)N / 2.0);

/*Price*/
*ptprice = P[Index][Index];

/*Deltas*/
*ptdelta2 = (P[Index - 1][Index] - P[Index + 1][Index]) / (2.*s2 * h * sigma22);
*ptdelta1 = ((P[Index][Index + 1] - P[Index][Index - 1]) / (2.*s1 * h) - sigma11) / 2;

/*Memory deallocation*/
for (i = 0; i < N + 1; i++)
    free(P[i]);
free(P);

for (i = 0; i < N + 1; i++)
    free(R[i]);
free(R);

for (i = 0; i < N + 1; i++)
    free(Obst[i]);
free(Obst);

for (i = 0; i < N + 1; i++)

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    free(pp[i]);
    free(pp);

    for (i = 0; i < N + 1; i++)
        free(G[i]);
    free(G);

    for (i = 0; i < N + 1; i++)
        free(Q[i]);
    free(Q);

    for (i = 0; i < N + 1; i++)
        free(A[i]);
    free(A);

    for (i = 0; i < N + 1; i++)
        free(B[i]);
    free(B);

    return OK;
}

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int CALC(FD_Howard)(void *Opt, void *Mod, PricingMethod *Met)
{
    TYPEOPT *ptOpt = (TYPEOPT *)Opt;
    TYPEMOD *ptMod = (TYPEMOD *)Mod;
    double r, divid1, divid2;

    r = log(1. + ptMod->R.Val.V_DOUBLE / 100.);
    divid1 = log(1. + ptMod->Divid1.Val.V_DOUBLE / 100.);
    divid2 = log(1. + ptMod->Divid2.Val.V_DOUBLE / 100.);

    return howard_amer2(ptMod->S01.Val.V_PDOUBLE, ptMod->S02.Val.V_PDOUBLE, ptOpt->
        ptOpt->Maturity.Val.V_DATE - ptMod->T.Val.V_DATE, r, divid1,
        ptMod->Sigma1.Val.V_PDOUBLE, ptMod->Sigma2.Val.V_PDOUBLE,
        Met->Par[0].Val.V_INT, Met->Par[1].Val.V_INT, Met->Par[2].

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[illegible]


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    },  
    CHK_OPT(FD_Howard),  
    CHK_ok,  
    MET(Init)  
};
```