

[Help](#)

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#include <stdlib.h>
#include "bsdisdiv1d_std.h"
#include "error_msg.h"
#include "pnl/pnl_matrix.h"

#if defined(PremiaCurrentVersion) && PremiaCurrentVersion < (2009+2) //The "#els
static int CHK_OPT(TR_SingularPoints_Up)(void *Opt, void *Mod)
{
    return NONACTIVE;
}
int CALC(TR_SingularPoints_Up)(void *Opt, void *Mod, PricingMethod *Met)
{
    return AVAILABLE_IN_FULL_PREMIA;
}
#else

static double *vm, *vpm;

static void Sort2Vect(unsigned long n, double *arr, double *arr2)
{
    PnlVect a, b;
    PnlVectInt *i;
    a = pnl_vect_wrap_array(arr, n);
    b = pnl_vect_wrap_array(arr2, n);
    i = pnl_vect_int_create(0);

    pnl_vect_qsort_index(&a, i, 'i');
    pnl_vect_permute_inplace(&b, (PnlPermutation *)i);
    pnl_vect_int_free(&i);
}

static double compute_pricesp(double val, int nb_critical_v)
{
    int k;
    double res;

    if (val < vm[0])
        return vpm[0];
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else if (val > vm[nb_critical_v])
    return vpm[nb_critical_v];
else if (fabs(val - vm[nb_critical_v]) < 1.e-8)
    return vpm[nb_critical_v];
else
{
    k = 0;
    while ((vm[k] < val) && (k <= nb_critical_v)) k++;
    if (k == 0)
        res = vpm[0];
    else
        res = ((val - vm[k - 1]) * vpm[k] + (vm[k] - val) * vpm[k - 1]) / (vm[k] - vm[k - 1]);
    return res;
}
}

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static int SingularPoints_Up(int am, double s, NumFunc_1 *p, double t, double r)
{

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    int n;
    double u, d, h, pu, pd, a1;
    double K = p->Par[0].Val.V_DOUBLE;
    double *v_min, *v_max, *new_vm, *new_vm1, *new_vm2, *new_vpm, *new_vpm1, *new_vpm2;
    double *vect_t;
    int *nb_critical;
    int *divid_steps;
    double value1, value2, value_price1, value_price2;
    double dist1, dist2;
    double TOL1 = 0.00000000001;
    double TOL2 = 0.00000000001;
    int i, j, k, l, jj, kk, Nb_div, new_nb_critical, n_k;
    int max_critical = 0;
    int i1, index, nb_critical_put;
    double m1, error, errp;
    int old_nb_critical;
    double x1, x2, y2, y11, a, b;
    int n_max;

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/*Number of Dividends Dates*/
Nb_div = divid_dates->size;

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//Number maximum of singular points
n_max = 50000;

/*Compute steps of the tree*/
n = N * Nb_div;

/*Memory allocations*/
divid_steps = malloc((n + 1) * sizeof(int));
nb_critical = (int *)malloc(sizeof(int) * (n + 1));
v_min = (double *)malloc(sizeof(double) * (n + 1));
v_max = (double *)malloc(sizeof(double) * (n + 1));
vm = (double *)malloc(sizeof(double) * (n_max));
vpm = (double *)malloc(sizeof(double) * (n_max));
new_vm = (double *)malloc(sizeof(double) * (n_max));
new_vm1 = (double *)malloc(sizeof(double) * (n_max));
new_vm2 = (double *)malloc(sizeof(double) * (n_max));
new_vpm = (double *)malloc(sizeof(double) * (n_max));
new_vpm1 = (double *)malloc(sizeof(double) * (n_max));
new_vpm2 = (double *)malloc(sizeof(double) * (n_max));
vect_t = malloc((n + 1) * sizeof(double));

/*Up and Down factors*/
h = t / (double)n;
a1 = exp(h * r);
u = exp(sigma * sqrt(h));
d = 1. / u;

/*Risk-Neutral Probability*/
pu = (a1 - d) / (u - d);
pd = 1. - pu;

if ((pd >= 1.) || (pd <= 0.))
    return NEGATIVE_PROBABILITY;

pu *= exp(-r * h);
pd *= exp(-r * h);

for (i = 0; i <= n; i++)
    vect_t[i] = h * (double)i;

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//Compute steps related to the dividend dates
for (k = 0; k < Nb_div; k++)
{
    i = 0;
    while (vect_t[i] < pnl_vect_get(divid_dates, k)) i++;
    if (fabs(pnl_vect_get(divid_dates, k) - vect_t[i]) < 1.e-10)
        divid_steps[k] = i;
    else
    {
        dist1 = vect_t[i] - pnl_vect_get(divid_dates, k);
        dist2 = pnl_vect_get(divid_dates, k) - vect_t[i - 1];
        if (dist1 < dist2)
            divid_steps[k] = i;
        else
            divid_steps[k] = i - 1;
    }
}

/*Compute Minimum and Maximum of the stock at each step
taking in to account of the dividend payments*/
v_min[0] = s;
v_max[0] = s;
j = 0;
for (i = 1; i <= n; i++)
{
    v_min[i] = v_min[i - 1] * d;
    v_max[i] = v_max[i - 1] * u;

    for (k = 0; k < Nb_div; k++)
        if (i == divid_steps[k])
        {
            v_min[i] = v_min[i] - pnl_vect_get(divid_amounts, Nb_div - k - 1);
            v_max[i] = v_max[i] - pnl_vect_get(divid_amounts, Nb_div - k - 1);
        }
}

/**Singular points at Maturity***/
if ((v_min[n] < K) && (v_max[n] > K))
{
    nb_critical[n] = 2;
}

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        //Abscissa
        vm[0] = v_min[n];
        vm[1] = K;
        vm[2] = v_max[n];

        //Ordnate
        vpm[0] = (p->Compute)(p->Par, vm[0]);
        vpm[1] = (p->Compute)(p->Par, vm[1]);
        vpm[2] = (p->Compute)(p->Par, vm[2]);
    }
else
{
    nb_critical[n] = 1;
    //Abscissa
    vm[0] = v_min[n];
    vm[1] = v_max[n];

    //Ordnate
    vpm[0] = (p->Compute)(p->Par, vm[0]);
    vpm[1] = (p->Compute)(p->Par, vm[1]);
}

/**Backward algorithm***/
for (i = 1; i <= n; i++)
{
    /*Min point*/
    new_vm[0] = v_min[n - i]; //Abscissa
    value1 = new_vm[0] * u;
    value_price1 = compute_pricesp(value1, nb_critical[n - i + 1]);
    value2 = new_vm[0] * d;
    value_price2 = compute_pricesp(value2, nb_critical[n - i + 1]);
    new_vpm[0] = pu * value_price1 + pd * value_price2; //Ordnate

    /*Middle points*/
    n_k = 1;
    for (j = 1; j < nb_critical[n - i + 1]; j++)
    {
        for (jj = -1; jj <= 1; jj = jj + 2)
        {
            new_vm[n_k] = vm[j] * pow(u, (double)jj); //Abscissa
            if ((new_vm[n_k] > v_min[n - i]) && (new_vm[n_k] < v_max[n - i]))

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        {
            value1 = new_vm[n_k] * u;
            value_price1 = compute_pricesp(value1, nb_critical[n - i + 1]);
            value2 = new_vm[n_k] * d;
            value_price2 = compute_pricesp(value2, nb_critical[n - i + 1]);
            new_vpm[n_k] = pu * value_price1 + pd * value_price2; //Ordinate
            n_k++;
        }
    }

/*Max point*/
new_vm[n_k] = v_max[n - i]; //Abscissa
value1 = new_vm[n_k] * u;
value_price1 = compute_pricesp(value1, nb_critical[n - i + 1]);
value2 = new_vm[n_k] * d;
value_price2 = compute_pricesp(value2, nb_critical[n - i + 1]);
new_vpm[n_k] = pu * value_price1 + pd * value_price2; //Ordinate

//Shift at the dividends dates
for (k = 0; k < Nb_div; k++)
    if (i == divid_steps[k])
    {
        for (j = 0; j <= n_k; j++)
            new_vm[j] += pnl_vect_get(divid_amounts, Nb_div - k - 1);
    }

/*Sorting*/
nb_critical[n - i] = n_k;
Sort2Vect(nb_critical[n - i], new_vm, new_vpm);

//Remove singular points very close TOL1=e-10,TOL2=e-10
new_vm1[0] = new_vm[0];
new_vpm1[0] = new_vpm[0];
kk = 0;
l = 0;
do
{
    do
    {

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        l++;
    }
    while ((new_vm[l] <= new_vm[kk] + TOL1) && (l < nb_critical[n - i]));
    kk++;
    new_vm[kk] = new_vm[l];
    new_vpm[kk] = new_vpm[l];
}
while ((l < nb_critical[n - i]));

new_nb_critical = kk;
nb_critical[n - i] = kk;

if (fabs(new_vm[nb_critical[n - i]] - new_vm[nb_critical[n - i] - 1]) <
    nb_critical[n - i] = new_nb_critical - 1;

//Upper bound
i1 = 0;
index = 0;
new_vm2[0] = new_vm[0];
new_vpm2[0] = new_vpm[0];
while (i1 < nb_critical[n - i] - 1)
{
    l = 1;
    do
    {
        l++;
        m1 = (new_vpm[i1 + l] - new_vpm[i1]) / (new_vm[i1 + l] - new_vm[i1]);
        error = 0.;
        for (jj = 1; jj <= l - 1; jj++)
        {
            errp = m1 * (new_vm[i1 + jj] - new_vm[i1]) + new_vpm[i1] -
            if (errp < 0) errp = -errp;
            if (errp > error) error = errp;
        }
    }
    while (!(error > h_up) || ((i1 + 1) == nb_critical[n - i]));
    index++;
    new_vm2[index] = new_vm[i1 + l - 1];
    new_vpm2[index] = new_vpm[i1 + l - 1];
    i1 = i1 + l - 1;
}

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while (i1 < nb_critical[n - i])
{
    index++;
    new_vm2[index] = new_vm1[i1 + 1];
    new_vpm2[index] = new_vpm1[i1 + 1];
    i1 = i1 + 1;
}
nb_critical[n - i] = index;

//American Call Case
if ((am == 1) && ((p->Compute) == &Call))
{
    old_nb_critical = nb_critical[n - i];
    if (MAX(0., new_vm2[0] - K) <= new_vpm2[0])
    {
        l = 1;
        while ((new_vpm2[l] >= MAX(0., new_vm2[l] - K)) && (l <= nb_critical[n - i]))
        {
            l++;
            if (l > nb_critical[n - i]) break;
        }
        if (l <= nb_critical[n - i])
        {
            nb_critical[n - i] = l + 1;
            x1 = new_vm2[l - 1];
            x2 = new_vm2[l];
            y11 = new_vpm2[l - 1];
            y2 = new_vpm2[l];

            a = (y2 - y11) / (x2 - x1);
            b = (y11 * x2 - x1 * y2) / (x2 - x1);

            new_vm2[l] = (K + b) / (1. - a);

            new_vpm2[l] = MAX(0., new_vm2[l] - K);

            new_vm2[l + 1] = new_vm2[old_nb_critical];
            new_vpm2[l + 1] = MAX(0., new_vm2[l + 1] - K);
        }
    }
}

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/*
//Dynamic Programming:American Put Case
if((am==1)&&((p->Compute)==&Put))
for(j=0;j<=nb_critical[n-i];j++)
{

new_vpm2[j]=MAX(new_vpm2[j],K-new_vm2[j]);
}*/

//American Put Case
else if ((am == 1) && ((p->Compute) == &Put))
{

if (MAX(0., K - new_vm2[0]) >= new_vpm2[0])
{
new_vm1[0] = new_vm2[0];
new_vpm1[0] = MAX(0., K - new_vm2[0]);
l = 1;
while ((new_vpm2[l] < MAX(0., K - new_vm2[l])) && (l <= nb_critical[n-i]))
{
l++;
if (l > nb_critical[n - i]) break;
}

if (l > nb_critical[n - i])
{
new_vm1[l] = new_vm2[nb_critical[n - i]];
new_vpm1[l] = MAX(0., K - new_vm1[l]);
nb_critical[n - i] = l;
}
else if (l <= nb_critical[n - i])
{
x1 = new_vm2[l - 1];
x2 = new_vm2[l];
y11 = new_vpm2[l - 1];
y2 = new_vpm2[l];

a = (y2 - y11) / (x2 - x1);

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        b = (y11 * x2 - x1 * y2) / (x2 - x1);

        new_vm1[1] = (K - b) / (1. + a);
        new_vpm1[1] = MAX(0., K - new_vm1[1]);

        j = 1;
        nb_critical_put = 1;
        while ((j <= nb_critical[n - i]))
        {
            nb_critical_put++;
            new_vm1[nb_critical_put] = new_vm2[j];
            new_vpm1[nb_critical_put] = new_vpm2[j];
            j++;
        };
        nb_critical[n - i] = nb_critical_put;
    }

    for (j = 0; j <= nb_critical[n - i]; j++)
    {
        new_vm2[j] = new_vm1[j];
        new_vpm2[j] = new_vpm1[j];
    }

}

max_critical = MAX(nb_critical[n - i], max_critical);

//Copy
for (j = 0; j <= nb_critical[n - i]; j++)
{
    vm[j] = new_vm2[j];
    vpm[j] = new_vpm2[j];
}
/*Delta*/
if (i == (n - 1))
    *ptdelta = (vpm[nb_critical[n - i]] - vpm[0]) / (vm[nb_critical[n - i]]

}

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/*Price*/
*ptprice = vpm[0];

//Memory desallocation
free(nb_critical);
free(divid_steps);
free(v_min);
free(v_max);
free(vpm);
free(vm);
free(new_vm);
free(new_vm1);
free(new_vm2);
free(new_vpm);
free(new_vpm1);
free(new_vpm2);
free(vect_t);

return OK;
}

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

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

    return SingularPoints_Up(ptOpt->EuOrAm.Val.V_BOOL, ptMod->S0.Val.V_PDOUBLE, pt
}
static int CHK_OPT(TR_SingularPoints_Up)(void *Opt, void *Mod)
{
    if ((strcmp(((Option *)Opt)->Name, "PutAmer") == 0) || (strcmp(((Option *)Opt)
        return OK;
    return WRONG;
}

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#endif //PremiaCurrentVersion
static int MET(Init)(PricingMethod *Met, Option *Opt)
{
    if (Met->init == 0)
    {
        Met->init = 1;

        Met->Par[0].Val.V_INT2 = 100;
        Met->Par[1].Val.V_PDOUBLE = 0.0001;
    }

    return OK;
}

PricingMethod MET(TR_SingularPoints_Up) =
{
    "TR_SingularPointsUp",
    {"StepNumbers between dividends dates", INT2, {100}, ALLOW}, {"Tollerance Error", INT2, {100}, ALLOW}, {"Calculation Method", CALC(TR_SingularPoints_Up),
    {"Price", DOUBLE, {100}, FORBID}, {"Delta", DOUBLE, {100}, FORBID} , {" ", PR
    CHK_OPT(TR_SingularPoints_Up),
    CHK_tree,
    MET(Init)
};

```