

cf_callspread

Let

- T = maturity date ($T > t$)
- K = strike price
- x = spot price
- t = pricing date
- σ = volatility
- r = interest rate
- δ = dividend yields
- $\theta = T - t$
- $b = r - \delta$

Set:

$$d_1 = \frac{\log\left(\frac{x}{K}\right) + \left(b + \frac{\sigma^2}{2}\right)\theta}{\sigma\sqrt{\theta}} \quad d_2 = d_1 - \sigma\sqrt{\theta}$$

and N as the cumulative normal distribution function:

$$N(d) = \frac{1}{\sqrt{2\pi}} \int_{-\infty}^d e^{-x^2/2} dx.$$

CallSpread Option

PAYOFF	$CS_T = (S_T - K_1)_+ - (S_T - K_2)_+$
PRICE	$CS(t, x) = C(t, x : K_1) - C(t, x; K_2)$
DELTA	$\frac{\partial CS(t, x)}{\partial x} = \frac{\partial C(t, x : K_1)}{\partial x} - \frac{\partial C(t, x : K_2)}{\partial x}$

cf. [cf_call](#)