

fd_natalinibriani_merhes

Input parameters:

- SpaceStepNumber $N1$
- TimeStepNumber $N2$

Output parameters:

- Price
- Delta

The evolution process of the Heston model, for the stochastic volatility, and Merton model, for the jumps, is:

$$\begin{cases} \frac{dS_t}{S_t} &= (r - d)dt + \sqrt{V_t}dW_t^1 + (e^J - 1)dN_t \\ dV_t &= \kappa(\theta - V_t)dt + \sigma_v\sqrt{V_t}dW_t^2 \\ S(t=0) &= S_0 \\ V(t=0) &= V_0 \end{cases}$$

where $d < W^1, W^2 >_t = \rho dt$ and $J \sim N(m, v)$. The EDP associated with the option pricing problem is solved with a finite difference scheme. Details abouts this routine are in [there](#).