

[Help](#)

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#include <stdlib.h>
#include "
href../../../../mod/bs2d/bs2d_std2d/bs2d_std2d_h_src.pdfbs2d_std2d.h"
#include "
href../../../../common/error_msg_h_src.pdferror_msg.h"
#include "
href../../../../common/math/mc_am_h_src.pdfmath/mc_am.h"
#include "
href../../../../common/enums_h_src.pdfenums.h"

static double *Mesh = NULL;
static long *Weights = NULL;
static double *Path = NULL, *Mean_Cell = NULL, *Price = NULL, *Transition = NULL;
static double *PathAuxPO = NULL, *Aux_BS = NULL, *Sigma = NULL, *Aux_Stock = NULL;

static int BaMa_Allocation(int AL_PO_Size, int BS_Dimension,
                           int OP_Exercise_Dates)
{
    if (Mesh == NULL)
        Mesh = malloc(OP_Exercise_Dates * (AL_PO_Size + 1) * sizeof(double));
    if (Mesh == NULL) return MEMORY_ALLOCATION_FAILURE;

    if (Path == NULL)
        Path = malloc(OP_Exercise_Dates * BS_Dimension * sizeof(double));
    if (Path == NULL)
        return MEMORY_ALLOCATION_FAILURE;

    if (Weights == NULL)
        Weights = malloc(OP_Exercise_Dates * AL_PO_Size * sizeof(long));

    if (Weights == NULL)
        return MEMORY_ALLOCATION_FAILURE ;

    if (Mean_Cell == NULL)
        Mean_Cell = malloc(OP_Exercise_Dates * AL_PO_Size * sizeof(double));
    if (Mean_Cell == NULL) return MEMORY_ALLOCATION_FAILURE;
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    if (Price == NULL)
        Price = malloc(OP_Exercise_Dates * AL_PO_Size * sizeof(double));
    if (Price == NULL)
        return MEMORY_ALLOCATION_FAILURE;

    if (Transition == NULL)
        Transition = malloc((OP_Exercise_Dates - 1) * AL_PO_Size * AL_PO_Size * sizeof(double));
    if (Transition == NULL)
        return MEMORY_ALLOCATION_FAILURE;

    if (PathAux == NULL)
        PathAux = malloc(AL_PO_Size * 2 * BS_Dimension * sizeof(double));
    if (PathAux == NULL)
        return MEMORY_ALLOCATION_FAILURE;

    if (PathAuxPO == NULL)
        PathAuxPO = malloc((AL_PO_Size + 1) * sizeof(double));
    if (PathAuxPO == NULL)
        return MEMORY_ALLOCATION_FAILURE;

    if (Aux_BS == NULL)
        Aux_BS = malloc(BS_Dimension * sizeof(double));
    if (Aux_BS == NULL)
        return MEMORY_ALLOCATION_FAILURE;

    if (Aux_Stock == NULL)
        Aux_Stock = malloc(BS_Dimension * sizeof(double));
    if (Aux_Stock == NULL)
        return MEMORY_ALLOCATION_FAILURE;

    if (Sigma == NULL)
        Sigma = malloc(BS_Dimension * BS_Dimension * sizeof(double));
    if (Sigma == NULL)
        return MEMORY_ALLOCATION_FAILURE;

    return OK;
}

static void BaMa_Liberation()
{

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if (Mesh != NULL)
{
    free(Mesh);
    Mesh = NULL;
}

if (Path != NULL)
{
    free(Path);
    Path = NULL;
}

if (Weights != NULL)
{
    free(Weights);
    Weights = NULL;
}

if (Mean_Cell != NULL)
{
    free(Mean_Cell);
    Mean_Cell = NULL;
}

if (Price != NULL)
{
    free(Price);
    Price = NULL;
}

if (Transition != NULL)
{
    free(Transition);
    Transition = NULL;
}

if (PathAux != NULL)
{
    free(PathAux);
    PathAux = NULL;
}

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    if (PathAuxPO != NULL)
    {
        free(PathAuxPO);
        PathAuxPO = NULL;
    }

    if (Aux_BS != NULL)
    {
        free(Aux_BS);
        Aux_BS = NULL;
    }

    if (Aux_Stock != NULL)
    {
        free(Aux_Stock);
        Aux_Stock = NULL;
    }

    if (Sigma != NULL)
    {
        free(Sigma);
        Sigma = NULL;
    }
}

/*Black-Sholes Step*/
static void BS_Forward_Step(int generator, double *Stock, double *Initial_Stock,
{
    int j, k;
    double Aux;

    for (j = 0; j < BS_Dimension; j++)
    {
        Aux_Stock[j] = Sqrt_Step * pnl_rand_normal(generator);
    }
    for (j = 0; j < BS_Dimension; j++)
    {
        Aux = 0.;
        for (k = 0; k <= j; k++)
        {

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        Aux += Sigma[j * BS_Dimension + k] * Aux_Stock[k];
    }
    Aux -= Step * Aux_BS[j];
    Stock[j] = Initial_Stock[j] * exp(Aux);
}
}

/*Cell Number in the mesh*/
static int Number_Cell(double x, int Instant, int AL_PO_Size)
{
    int min = 0, max = AL_PO_Size, j;

    do
    {
        j = (max + min) / 2;
        if (x >= Mesh[Instant * (AL_PO_Size + 1) + j])
        {
            min = j;
        }
        else
        {
            max = j;
        }
    }
    while (!(x >= Mesh[Instant * (AL_PO_Size + 1) + j]) && (x <= Mesh[Instant * (AL_PO_Size + 1) + j]));

    return j;
}

/*Black-Sholes Path*/
static void ForwardPath(double *Path, double *Initial_Stock, int Initial_Time, int Number_Dates)
{
    int i, j, k;
    double aux;
    double *SigmapjmBS_Dimensionpk;

    for (j = 0; j < BS_Dimension; j++) Path[Initial_Time * BS_Dimension + j] = Initial_Stock[j];

    for (i = Initial_Time + 1; i < Initial_Time + Number_Dates; i++)
    {
        for (j = 0; j < BS_Dimension; j++)

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    {
        Aux_Stock[j] = Sqrt_Step * pnl_rand_normal(generator);
    }
    SigmapjmBS_Dimensionpk = Sigma;

    for (j = 0; j < BS_Dimension; j++)
    {
        aux = 0.;
        for (k = 0; k <= j; k++)
        {
            aux += (*SigmapjmBS_Dimensionpk) * Aux_Stock[k];
            SigmapjmBS_Dimensionpk++;
        }
        SigmapjmBS_Dimensionpk += BS_Dimension - j - 1;
        aux -= Step * Aux_BS[j];
        Path[i * BS_Dimension + j] = Path[(i - 1) * BS_Dimension + j] * exp(aux)
    }
}

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static void Init_Cells(int generator, NumFunc_2 *p, int BS_Dimension, int OP_Exercise_Dates,
{
    double auxop1, auxop2;
    int i, j, k, auxcell1, auxcell2;

    for (i = 0; i < OP_Exercise_Dates - 1; i++)
        for (j = 0; j < AL_PO_Size; j++)
            for (k = 0; k < AL_PO_Size; k++) Transition[i * AL_PO_Size * AL_PO_Size + j * AL_PO_Size + k] = 0;
    for (i = 0; i < OP_Exercise_Dates; i++)
        for (j = 0; j < AL_PO_Size; j++) Mean_Cell[i * AL_PO_Size + j] = 0;
    for (i = 0; i < OP_Exercise_Dates; i++)
        for (j = 0; j < AL_PO_Size; j++) Price[i * AL_PO_Size + j] = 0;
    for (i = 0; i < OP_Exercise_Dates; i++)
        for (j = 0; j < AL_PO_Size; j++) Weights[i * AL_PO_Size + j] = 0;

    for (k = 0; k < AL_MonteCarlo_Iterations; k++)
    {

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        ForwardPath(Path, BS_Spot, 0, OP_Exercise_Dates, generator, BS_Dimension,

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    auxop2 = (p->Compute)(p->Par, *Path, *(Path + 1));
    auxcell2 = Number_Cell(auxop2, 0, AL_PO_Size);

    for (i = 0; i < OP_Exercise_Dates - 1; i++)
    {
        auxcell1 = auxcell2;
        auxop1 = auxop2;
        auxop2 = (p->Compute)(p->Par, *(Path + (i + 1) * BS_Dimension), *(Path
        auxcell2 = Number_Cell(auxop2, i + 1, AL_PO_Size);
        Weights[i * AL_PO_Size + auxcell1]++;
        Transition[i * AL_PO_Size * AL_PO_Size + auxcell1 * AL_PO_Size + auxce
        Mean_Cell[i * AL_PO_Size + auxcell1] += auxop1;
    }
    auxop1 = (p->Compute)(p->Par, *(Path + (OP_Exercise_Dates - 1) * BS_Dimens
        *(Path + (OP_Exercise_Dates - 1) * BS_Dimension + 1)
    auxcell1 = Number_Cell(auxop1, OP_Exercise_Dates - 1, AL_PO_Size);
    Weights[(OP_Exercise_Dates - 1)*AL_PO_Size + auxcell1]++;
    Mean_Cell[(OP_Exercise_Dates - 1)*AL_PO_Size + auxcell1] += auxop1;
}
}

static void InitMesh(NumFunc_2 *p, int generator, int AL_PO_Size, long Al_PO_Ini
{
    int i, j, k, l;

    for (i = 0; i < OP_Exercise_Dates * (AL_PO_Size + 1); i++)
        Mesh[i] = 0;

    for (i = 0; i < Al_PO_Init; i++)
    {
        for (j = 0; j < AL_PO_Size; j++)
        {
            for (k = 0; k < BS_Dimension; k++)
            {
                PathAux[j * 2 * BS_Dimension + k] = BS_Spot[k];
            }
        }

        for (j = 1; j < OP_Exercise_Dates; j++)
        {

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    for (k = 0; k < AL_PO_Size; k++)
    {
        BS_Forward_Step(generator, PathAux + k * 2 * BS_Dimension + BS_Dim
    }

    for (k = 1; k < AL_PO_Size + 1; k++)
    {
        PathAuxPO[k] = (p->Compute)(p->Par, *(PathAux + (k - 1) * 2 * BS_D
    }

    Sort(AL_PO_Size, PathAuxPO);

    for (k = 1; k < AL_PO_Size + 1; k++)
    {
        Mesh[j * (AL_PO_Size + 1) + k] += PathAuxPO[k];
    }

    for (l = 0; l < AL_PO_Size; l++)
    {
        for (k = 0; k < BS_Dimension; k++)
        {
            PathAux[l * 2 * BS_Dimension + k] = PathAux[(l * 2 + 1) * BS_D
        }
    }
}

for (j = 1; j < OP_Exercise_Dates; j++)
{
    for (k = 1; k < AL_PO_Size + 1; k++)
    {
        Mesh[j * (AL_PO_Size + 1) + k] /= (double)AL_PO_Init;
    }
}

for (j = 1; j < OP_Exercise_Dates; j++)
{
    Mesh[j * (AL_PO_Size + 1)] = 0;
    Mesh[(j + 1) * (AL_PO_Size + 1) - 1] = DBL_MAX;
    for (k = 1; k < AL_PO_Size - 1; k++)
        Mesh[j * (AL_PO_Size + 1) + k] = (Mesh[j * (AL_PO_Size + 1) + k] +

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Mesh[j * (AL_PO_Size + 1) + k + 1]) *
}
Mesh[AL_PO_Size] = DBL_MAX;
for (k = 0; k < AL_PO_Size; k++)
    Mesh[k] = 0;
}

static void BaMa(double *AL_BPrice, long AL_MonteCarlo_Iterations, NumFunc_2 *p,
{
    double aux, Step, Sqrt_Step, DiscountStep;
    int i, j, k;
    int BS_Dimension;

    BS_Dimension = 2;

    /*Memory Allocation*/
    BaMa_Allocation(AL_PO_Size, BS_Dimension, OP_Exercise_Dates);
    *AL_BPrice = 0.;
    Step = BS_Maturity / (double)(OP_Exercise_Dates - 1);
    Sqrt_Step = sqrt(Step);
    DiscountStep = exp(-BS_Interest_Rate * Step);

    /*Black-Sholes initialization parameters*/
    Sigma[0] = sigma[0];
    Sigma[1] = sigma[1];
    Sigma[2] = sigma[2];
    Sigma[3] = sigma[3];

    Aux_BS[0] = 0.5 * (SQR(sigma[0]) + SQR(sigma[1])) - BS_Interest_Rate + divid[0];
    Aux_BS[1] = 0.5 * (SQR(sigma[2]) + SQR(sigma[3])) - BS_Interest_Rate + divid[1];

    /* Cells Weights and Transitions probabilities for the payoff mesh */
    InitMesh(p, generator, AL_PO_Size, AL_PO_Init, BS_Dimension, OP_Exercise_Dates);
    Init_Cells(generator, p, BS_Dimension, OP_Exercise_Dates, AL_MonteCarlo_Iterations);

    /*Initialization of the price at maturity*/
    for (k = 0; k < AL_PO_Size; k++)
    {
        if (Weights[(OP_Exercise_Dates - 1)*AL_PO_Size + k] > 0)
        {

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        Price[(OP_Exercise_Dates - 1)*AL_PO_Size + k] = Mean_Cell[(OP_Exercise
    }
}

/* Dynamical programming (backward price)*/
for (i = OP_Exercise_Dates - 2; i >= 0; i--)
{
    for (k = 0; k < AL_PO_Size; k++)
    {
        if (Weights[i * AL_PO_Size + k] > 0)
        {
            aux = 0;
            for (j = 0; j < AL_PO_Size; j++)
                aux += Transition[i * AL_PO_Size * AL_PO_Size + k * AL_PO_Size + j];
            aux /= (double)Weights[i * AL_PO_Size + k];
            aux *= DiscountStep;
            if ((!gj_flag) || ((gj_flag) && (i > 0)))
                Price[i * AL_PO_Size + k] = MAX(Mean_Cell[i * AL_PO_Size + k] /
            else
                Price[k] = aux;
        }
    }
}

/*Backward Price*/
*AL_BPrice = Price[Number_Cell((p->Compute)(p->Par, *BS_Spot, *(BS_Spot + 1)),

/*Memory Disallocation*/
if (AL_ShuttingDown)
{
    BaMa_Liberation();
}
}

static int MCBarraquandMartineau2D(double s1, double s2, NumFunc_2 *p, double t
{
    double p1, p2, p3;
    int simulation_dim = 1, fermeture = 1, init_mc;
    double s_vector[2];
    double s_vector_plus1[2], s_vector_plus2[2];

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double sigma[4];
double divid[2];

/* Covariance Matrix */
/* Coefficients of the matrix A such that A(tA)=Gamma */
sigma[0] = sigma1;
sigma[1] = 0.0;
sigma[2] = rho * sigma2;
sigma[3] = sigma2 * sqrt(1.0 - SQR(rho));

/*Initialisation*/
s_vector[0] = s1;
s_vector[1] = s2;
s_vector_plus1[0] = s1 * (1. + inc);
s_vector_plus1[1] = s2;
s_vector_plus2[0] = s1;
s_vector_plus2[1] = s2 * (1. + inc);
divid[0] = divid1;
divid[1] = divid2;

/*MC sampling*/
init_mc = pnl_rand_init(generator, simulation_dim, N);

/* Test after initialization for the generator */
if (init_mc == OK)
{

    /*Geske-Johnson Formulae*/
    if (exercise_date_number == 0)
    {
        BaMa(&p3, N, p, size, init, fermeture, generator, 4, s_vector, t, r, d
        BaMa(&p2, N, p, size, init, fermeture, generator, 3, s_vector, t, r, d
        BaMa(&p1, N, p, size, init, fermeture, generator, 2, s_vector, t, r, d
        *ptprice = p3 + 7. / 2.*(p3 - p2) - (p2 - p1) / 2.;
    }
    else
    {
        BaMa(ptprice, N, p, size, init, fermeture, generator, exercise_date_nu
    }
}

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/*Delta*/
if (exercise_date_number == 0)
{
    BaMa(&p1, N, p, size, init, fermeture, generator, 4, s_vector_plus1, t
    BaMa(&p2, N, p, size, init, fermeture, generator, 3, s_vector_plus1, t
    BaMa(&p3, N, p, size, init, fermeture, generator, 2, s_vector_plus1, t
    *ptdelta1 = ((p3 + 7. / 2.*(p3 - p2) - (p2 - p1) / 2.) - *ptprice) / (

    BaMa(&p1, N, p, size, init, fermeture, generator, 4, s_vector_plus2, t
    BaMa(&p2, N, p, size, init, fermeture, generator, 3, s_vector_plus2, t
    BaMa(&p3, N, p, size, init, fermeture, generator, 2, s_vector_plus2, t
    *ptdelta2 = ((p3 + 7. / 2.*(p3 - p2) - (p2 - p1) / 2.) - *ptprice) / (

}
else
{
    BaMa(&p1, N, p, size, init, fermeture, generator, exercise_date_number
    *ptdelta1 = (p1 - *ptprice) / (s1 * inc);
    BaMa(&p2, N, p, size, init, fermeture, generator, exercise_date_number
    *ptdelta2 = (p2 - *ptprice) / (s2 * inc);
}
}
return init_mc;
}

int CALC(MC_BarraquandMartineau2D)(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->Divid1.Val.V_DOUBLE / 100.);

    return MCBarraquandMartineau2D(ptMod->S01.Val.V_PDOUBLE,
                                    ptMod->S02.Val.V_PDOUBLE,
                                    ptOpt->PayOff.Val.V_NUMFUNC_2,
                                    ptOpt->Maturity.Val.V_DATE - ptMod->T.Val.V_DATE,
                                    r,
                                    divid1,

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        divid2,
        ptMod->Sigma1.Val.V_PDOUBLE,
        ptMod->Sigma2.Val.V_PDOUBLE,
        ptMod->Rho.Val.V_RGDOUBLE,
        Met->Par[0].Val.V_LONG,
        Met->Par[1].Val.V_ENUM.value,
        Met->Par[2].Val.V_PDOUBLE,
        Met->Par[3].Val.V_INT,
        Met->Par[4].Val.V_INT,
        Met->Par[5].Val.V_INT,
        &(Met->Res[0].Val.V_DOUBLE),
        &(Met->Res[1].Val.V_DOUBLE), &(Met->Res[2].Val.
    }

static int CHK_OPT(MC_BarraquandMartineau2D)(void *Opt, void *Mod)
{
    Option *ptOpt = (Option *)Opt;
    TYPEOPT *opt = (TYPEOPT *) (ptOpt->TypeOpt);

    if ((opt->EuOrAm).Val.V_BOOL == AMER)
        return OK;
    return WRONG;
}

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

        Met->Par[0].Val.V_LONG = 20000;
        Met->Par[1].Val.V_ENUM.value = 0;
        Met->Par[1].Val.V_ENUM.members = &PremiaEnumMCRNGs;
        Met->Par[2].Val.V_PDOUBLE = 0.1;
        Met->Par[3].Val.V_INT = 100;
        Met->Par[4].Val.V_INT = 300;
        Met->Par[5].Val.V_INT = 10;
    }
}

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    return OK;
}

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PricingMethod MET(MC_BarraquandMartineau2D) =
{
    "MC_BarraquandMartineau2d",
    { {"N iterations", LONG, {100}, ALLOW},
      {"RandomGenerator", ENUM, {100}, ALLOW},
      {"Delta Increment Rel", PDOUBLE, {100}, ALLOW},
      {"Number of Cells", INT, {100}, ALLOW},
      {"Size of grid initialising sample", INT, {100}, ALLOW},
      {"Number of Exercise Dates (0->Geske Johnson Formulae)", INT, {100}, ALLOW},
      {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },
    CALC(MC_BarraquandMartineau2D),
    { {"Price", DOUBLE, {100}, FORBID},
      {"Delta1", DOUBLE, {100}, FORBID} , {"Delta2", DOUBLE, {100}, FORBID},
      {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },
    CHK_OPT(MC_BarraquandMartineau2D),
    CHK_mc,
    MET(Init)
};

```