

[Help](#)

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#include <stdlib.h>
#include "
href../../mod/bs1d/bs1d_std/bs1d_std_h_src.pdfbs1d_std.h"
#include "
href../../common/error_msg_h_src.pdferror_msg.h"
#define BIG_DOUBLE 1.0e6

int CALC(DynamicHedgingSimulatorPatry)(void *Opt, void *Mod, PricingMethod *Met,
{

    TYPEOPT *ptOpt = (TYPEOPT *)Opt;
    TYPEMOD *ptMod = (TYPEMOD *)Mod;
    int type_generator, error;
    long path_number, step_number, hedge_number, i, j;
    double step_hedge, initial_stock, initial_time, stock, selling_price, delta, p
    double cash_account, stock_account, cash_rate, stock_rate;
    double pl_sample, mean_pl, var_pl, min_pl, max_pl;
    double sigmaxsqrth;
    double r, divid, a1, u, d, pu;
    int hedgenow;

    /* Variables needed for Graphic outputs */
    double *stock_array, *pl_array, *hedge_time, *hedge_spot, current_mean_pl, med
    double *delta_array;
    int k, indicehedge;
    long size, size2 ;
    double current_date;

    /***** Initialization of the test's parameters *****/
    Test->Par[2].Val.V_LONG = Met->Par[0].Val.V_INT2; /* StepNumber */
    Test->Par[3].Val.V_LONG = Met->Par[1].Val.V_INT; /* HedgeNumber */

    initial_stock = ptMod->S0.Val.V_PDOUBLE;
    initial_time = ptMod->T.Val.V_DATE;

    type_generator = Test->Par[0].Val.V_INT;
    path_number = Test->Par[1].Val.V_LONG;
    step_number = Test->Par[2].Val.V_LONG;
    current_date = ptMod->T.Val.V_DATE;
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hedge_number = Test->Par[3].Val.V_LONG;
step_hedge = (ptOpt->Maturity.Val.V_DATE - ptMod->T.Val.V_DATE) / (double)step

r = log(1. + ptMod->R.Val.V_DOUBLE / 100.);
divid = log(1. + ptMod->Divid.Val.V_DOUBLE / 100.);
cash_rate = exp(r * step_hedge);
stock_rate = exp(divid * step_hedge) - 1.;

sigmaxsqrth = ptMod->Sigma.Val.V_PDOUBLE * sqrt(step_hedge);

mean_pl = 0.0;
var_pl = 0.0;
min_pl = BIG_DOUBLE;
max_pl = -BIG_DOUBLE;

pnl_rand_init(type_generator, 1, path_number);

/*Up and Down factors*/
a1 = exp(step_hedge * (r - divid));
u = exp(sigmaxsqrth);
d = 1. / u;

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

/* Graphic outputs initializations and dynamical memory allocutions */
current_mean_pl = 0.0;
size = step_number + 1;
size2 = hedge_number + 1;

if ((stock_array = malloc(size * sizeof(double))) == NULL)
    return MEMORY_ALLOCATION_FAILURE;
if ((pl_array = malloc(size * sizeof(double))) == NULL)
    return MEMORY_ALLOCATION_FAILURE;
if ((hedge_time = malloc(size2 * sizeof(double))) == NULL)
    return MEMORY_ALLOCATION_FAILURE;
if ((hedge_spot = malloc(size2 * sizeof(double))) == NULL)
    return MEMORY_ALLOCATION_FAILURE;
if ((delta_array = malloc(size * sizeof(double))) == NULL)
    return MEMORY_ALLOCATION_FAILURE;

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for (k = 5; k <= 14; k++)
{
    pnl_vect_resize(Test->Res[k].Val.V_PNLVECT, size);
}
for (k = 15; k <= 20; k++)
{
    pnl_vect_resize(Test->Res[k].Val.V_PNLVECT, size2);
}

for (k = 0; k <= step_number; k++) /* Time */
    Test->Res[5].Val.V_PNLVECT->array[k] = current_date + k * step_hedge;

/***** Trajectories of the stock *****/
for (i = 0; i < path_number; i++)
{
    /* computing selling-price and delta */
    ptMod->T.Val.V_DATE = initial_time;
    ptMod->S0.Val.V_PDOUBLE = initial_stock;
    Met->Par[2].Val.V_DOUBLE = 0.; /*currentdelta*/
    /*delta=0.;*/
    Met->Par[0].Val.V_INT2 = step_number;
    hedge_number = Test->Par[3].Val.V_LONG;
    Met->Par[1].Val.V_INT = hedge_number;

    if ((error = (Met->Compute)(Opt, Mod, Met)))
    {
        ptMod->T.Val.V_DATE = initial_time;
        ptMod->S0.Val.V_PDOUBLE = initial_stock;
        return error;
    };
    selling_price = Met->Res[2].Val.V_DOUBLE;
    delta = Met->Res[0].Val.V_DOUBLE;
    Met->Par[2].Val.V_DOUBLE = delta;
    Met->Par[0].Val.V_INT2--;
    delta_array[0] = delta;

    hedgenow = 1;

    /* computing cash_account and stock_account */
    cash_account = selling_price - delta * initial_stock;
    stock_account = delta * initial_stock;

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stock = initial_stock;
stock_array[0] = initial_stock;
pl_array[0] = 0;
hedge_time[0] = 0.;
hedge_spot[0] = initial_stock;
indicehedge = 1;

/***** Dynamic Hedge *****/
for (j = 1; j < step_number; j++)
{
    previous_delta = delta;

    /* Capitalization of cash_account and yielding dividends */
    cash_account *= cash_rate;
    cash_account += stock_rate * stock_account;

    /* computing the new stock's value */
    if (pnl_rand_uni(type_generator) > pu)
        stock *= d;
    else
        stock *= u;

    /* computing the new selling-price and the new delta */
    ptMod->T.Val.V_DATE = ptMod->T.Val.V_DATE + step_hedge;
    ptMod->S0.Val.V_PDOUBLE = stock;
    if ((error = (Met->Compute)(Opt, Mod, Met)))
    {
        ptMod->T.Val.V_DATE = initial_time;
        ptMod->S0.Val.V_PDOUBLE = initial_stock;
        return error;
    };
    hedgenow = Met->Res[3].Val.V_BOOL;
    if (hedgenow == 0)
    {
        delta = Met->Res[0].Val.V_DOUBLE;
        Met->Par[2].Val.V_DOUBLE = delta; /*currentdelta*/
        hedge_number--;
        Met->Par[1].Val.V_INT = hedge_number;
        hedge_time[indicehedge] = ptMod->T.Val.V_DATE;
        hedge_spot[indicehedge] = stock;
    }
}

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        indicehedge++;
    }
    delta_array[j] = delta;
    Met->Par[0].Val.V_INT2--; /*stepnumber--*/
    /* computing new cash_account and new stock_account */
    cash_account -= (delta - previous_delta) * stock;
    stock_account = delta * stock;

    stock_array[j] = stock;
    pl_array[j] = cash_account - Met->Res[2].Val.V_DOUBLE + delta * stock;

} /*j*/

/***** Last hedge *****/
/* Capitalization of cash_account and yielding dividends */
cash_account *= cash_rate;
cash_account += stock_rate * stock_account;

/* computing the new stock's value */
if (rand() > pu)
    stock *= d;
else
    stock *= u;

delta_array[step_number] = delta;

/* Capitalization of cash_account and computing the P&L using the PayOff*/
cash_account = cash_account - ((ptOpt->PayOff.Val.V_NUMFUNC_1)->Compute)((
pl_sample = cash_account;

stock_array[step_number] = stock;
pl_array[step_number] = pl_sample;

mean_pl = mean_pl + pl_sample;
var_pl = var_pl + SQR(pl_sample);
min_pl = MIN(pl_sample, min_pl);
max_pl = MAX(pl_sample, max_pl);

/* Selection of trajectories (Spot and P&L) for graphic outputs */
if (i == 0)
{

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for (k = 0; k <= step_number; k++)
{
    Test->Res[6].Val.V_PNLVECT->array[k] = stock_array[k];
    Test->Res[7].Val.V_PNLVECT->array[k] = stock_array[k];
    Test->Res[8].Val.V_PNLVECT->array[k] = stock_array[k];
    Test->Res[9].Val.V_PNLVECT->array[k] = pl_array[k];
    Test->Res[10].Val.V_PNLVECT->array[k] = pl_array[k];
    Test->Res[11].Val.V_PNLVECT->array[k] = pl_array[k];
    Test->Res[12].Val.V_PNLVECT->array[k] = delta_array[k];
    Test->Res[13].Val.V_PNLVECT->array[k] = delta_array[k];
    Test->Res[14].Val.V_PNLVECT->array[k] = delta_array[k];
}
for (k = 0; k < size2; k++)
{
    Test->Res[15].Val.V_PNLVECT->array[k] = hedge_time[k];
    Test->Res[16].Val.V_PNLVECT->array[k] = hedge_spot[k];
    Test->Res[17].Val.V_PNLVECT->array[k] = hedge_time[k];
    Test->Res[18].Val.V_PNLVECT->array[k] = hedge_spot[k];
    Test->Res[19].Val.V_PNLVECT->array[k] = hedge_time[k];
    Test->Res[20].Val.V_PNLVECT->array[k] = hedge_spot[k];
}

median_pl = pl_sample;
}
else
{
    current_mean_pl = mean_pl / i;
    if (pl_sample == min_pl)
    {
        for (k = 0; k <= step_number; k++)
        {
            Test->Res[6].Val.V_PNLVECT->array[k] = stock_array[k];
            Test->Res[9].Val.V_PNLVECT->array[k] = pl_array[k];
            Test->Res[12].Val.V_PNLVECT->array[k] = delta_array[k];
        }
        for (k = 0; k < size2; k++)
        {
            Test->Res[15].Val.V_PNLVECT->array[k] = hedge_time[k];
            Test->Res[16].Val.V_PNLVECT->array[k] = hedge_spot[k];
        }
    }
}

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else if (pl_sample == max_pl)
{
    for (k = 0; k <= step_number; k++)
    {
        Test->Res[7].Val.V_PNLVECT->array[k] = stock_array[k];
        Test->Res[10].Val.V_PNLVECT->array[k] = pl_array[k];
        Test->Res[13].Val.V_PNLVECT->array[k] = delta_array[k];
    }
    for (k = 0; k < size2; k++)
    {
        Test->Res[17].Val.V_PNLVECT->array[k] = hedge_time[k];
        Test->Res[18].Val.V_PNLVECT->array[k] = hedge_spot[k];
    }
}
else if (SQR(pl_sample - current_mean_pl) < SQR(median_pl - current_me
{
    median_pl = pl_sample;
    for (k = 0; k <= step_number; k++)
    {
        Test->Res[8].Val.V_PNLVECT->array[k] = stock_array[k];
        Test->Res[11].Val.V_PNLVECT->array[k] = pl_array[k];
        Test->Res[14].Val.V_PNLVECT->array[k] = delta_array[k];
    }
    for (k = 0; k < size2; k++)
    {
        Test->Res[19].Val.V_PNLVECT->array[k] = hedge_time[k];
        Test->Res[20].Val.V_PNLVECT->array[k] = hedge_spot[k];
    }
}
}
} /*i*/

free(stock_array);
free(pl_array);
free(hedge_time);
free(hedge_spot);
free(delta_array);

mean_pl = mean_pl / (double)path_number;
var_pl = var_pl / (double)path_number - SQR(mean_pl);

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Test->Res[0].Val.V_DOUBLE = mean_pl;
Test->Res[1].Val.V_DOUBLE = var_pl;
Test->Res[2].Val.V_DOUBLE = min_pl;
Test->Res[3].Val.V_DOUBLE = max_pl;
Test->Res[4].Val.V_DOUBLE = median_pl;

ptMod->T.Val.V_DATE = initial_time;
ptMod->S0.Val.V_PDOUBLE = initial_stock;

return OK;
}

static int TEST(Init)(DynamicTest *Test, Option *Opt)
{
    static int first = 1;
    int i;

    if (first)
    {
        Test->Par[0].Val.V_INT = 0;          /* Random Generator */
        Test->Par[1].Val.V_LONG = 1;         /* PathNumber */
        Test->Par[2].Val.V_LONG = 100; /* StepNumber */
        Test->Par[3].Val.V_LONG = 5; /*hedgenumber*/
        Test->Par[4].Vtype = PREMIA_NULLTYPE;

        for (i = 5 ; i <= 20 ; i++)
        {
            Test->Res[i].Val.V_PNLVECT = pnl_vect_create(0);
        }
        Test->Res[21].Vtype = PREMIA_NULLTYPE;

        first = 0;
    }

    return OK;
}

int CHK_TEST(testpatry)(void *Opt, void *Mod, PricingMethod *Met)
{
    if ((strcmp(Met->Name, "TR_PatryMartini") == 0))
        return OK;
}

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else
    return WRONG;
}

DynamicTest MOD_OPT(testpatry) =
{
    "bs1d_std_testpatry",

    { {"RandomGenerator", INT, {100}, ALLOW},
      {"PathNumber", LONG, {100}, ALLOW},
      {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },

    CALC(DynamicHedgingSimulatorPatry),

    { {"Mean_P&l", DOUBLE, {100}, FORBID},
      {"Var_P&l", DOUBLE, {100}, FORBID},
      {"Min_P&l", DOUBLE, {100}, FORBID},
      {"Max_P&l", DOUBLE, {100}, FORBID},
      {"Median_P&l", DOUBLE, {100}, FORBID},

      {"Time", PNLVECT, {100}, FORBID},
      {"Stockmin", PNLVECT, {0}, FORBID},
      {"Stockmax", PNLVECT, {0}, FORBID},
      {"Stockmean", PNLVECT, {0}, FORBID},
      {"PLmin", PNLVECT, {0}, FORBID},
      {"PLmax", PNLVECT, {0}, FORBID},
      {"PLmean", PNLVECT, {0}, FORBID},
      {"deltamin", PNLVECT, {0}, FORBID},
      {"deltamax", PNLVECT, {0}, FORBID},
      {"deltamean", PNLVECT, {0}, FORBID},
      {"HedgeTimemin", PNLVECT, {0}, FORBID},
      {"HedgeSpotmin", PNLVECT, {0}, FORBID},
      {"HedgeTimemax", PNLVECT, {0}, FORBID},
      {"HedgeSpotmax", PNLVECT, {0}, FORBID},
      {"HedgeTimemean", PNLVECT, {0}, FORBID},
      {"HedgeSpotmean", PNLVECT, {0}, FORBID},

      {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },
    CHK_TEST(testpatry),

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    CHK_ok,  
    TEST(Init)  
};
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