

[Help](#)

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#include <stdlib.h>
#include "
href../../mod/sg1d/sg1d_stdi/sg1d_stdi_h_src.pdfsg1d_stdi.h"
#include "pnl/pnl_mathtools.h"
#include "
href../../common/math/read_market_zc/InitialYieldCurve_h_src.pdfmath/read_mar
#include "
href../../mod/sg1d/sg1d_stdi/QuadraticModel_h_src.pdfQuadraticModel.h"

//The "#else" part of the code will be freely available after the (year of creat
#if defined(PremiaCurrentVersion) && PremiaCurrentVersion < (2007+2)
int CALC(CF_ReceiverSwaptionSG1D)(void *Opt, void *Mod, PricingMethod *Met)
{
    return AVAILABLE_IN_FULL_PREMIA;
}
static int CHK_OPT(CF_ReceiverSwaptionSG1D)(void *Opt, void *Mod)
{
    return NONACTIVE;
}
#else

/** Computation the function phi used to find the Critical Rate in the Jamishid
static double phi(ZCMarketData *ZCMarket, double r, double periodicity, double o
{
    int i, nb_payment;
    double ci, sum, sum_der, ti;

    double ZCPrice_T_ti;
    double r0, x0, x;

    Data data1, data2;
    Omega om;

    ZCPrice_T_ti = 0.;
    r0 = 0.0;
    x0 = 0.0;

    initial_short_rate(ZCMarket, &r0, &x0);
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sum = 0.;
sum_der = 0.;

ci = periodicity * SwaptionFixedRate;
ti = option_maturity;

nb_payement = (int)((contract_maturity - option_maturity) / periodicity);

/* coefficients of P(0,T) */
bond_coeffs(ZCMarket, &data1, option_maturity, a, sigma, x0);

x = sqrt(r);

for (i = 1; i <= nb_payement; i++)
{
    ti += periodicity;

    /* coefficients of P(0,S) */
    bond_coeffs(ZCMarket, &data2, ti, a, sigma, x0);

    /* omega distribution of P(T,S) */
    transport(&om, data1, data2, a, sigma, x0);

    ZCPrice_T_ti = exp(-(om.B * r + om.b * M_SQRT2 * x + om.c));

    sum += ci * ZCPrice_T_ti;

    sum_der -= ci * ZCPrice_T_ti * (om.B + om.b / x);
}

sum += ZCPrice_T_ti;

sum_der -= ZCPrice_T_ti * (om.B + om.b / x);

return (sum - 1.) / sum_der;
}

/** Computation of Critical Rate in the Jamishidian decomposition, with the new
static double Critical_Rate(ZCMarketData *ZCMarket, double r_initial, double per

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{
    double previous, current;
    int nbr_iterations;

    const double precision = 0.000001;

    current = r_initial;
    nbr_iterations = 0;

    do
    {
        nbr_iterations++;
        previous = current;
        current = current - phi(ZCMarket, current, periodicity, option_maturity, c
    }
    while ((fabs(previous - current) > precision) && (nbr_iterations <= 50));

    return current;
}

/** Payer Swaption price as a combination of ZC Put option prices
static int cf_psid(int flat_flag, double r_t, char *curve, double Nominal, doubl
                    double option_maturity, double contract_maturity,
                    double SwaptionFixedRate, double a, double sigma, double *pri
{
    int i, nb_payement;
    double ci, sum , ti;

    double x0, critical_r, Strike_i, PutOptionPrice;
    Data data1, data2;
    Omega om;
    ZCMarketData ZCMarket;

    PutOptionPrice = 0.; /* to avoid warning */
    /* Flag to decide to read or not ZC bond datas in "initialyields.dat" */
    /* If P(0,T) not read then P(0,T)=exp(-r0*T) */
    if (flat_flag == 0)
    {
        ZCMarket.FlatOrMarket = 0;
        ZCMarket.Rate = r_t;
    }
}

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else
{
    ZCMarket.FlatOrMarket = 1;
    ZCMarket.filename = curve;
    ReadMarketData(&ZCMarket);
    r_t = -log(BondPrice(INC, &ZCMarket)) / INC;

    if (contract_maturity > GET(ZCMarket.tm, ZCMarket.Nvalue - 1))
    {
        printf("\ nError : time bigger than the last time value entered in ini
        exit(EXIT_FAILURE);
    }
}

x0 = sqrt(2 * r_t);

bond_coeffs(&ZCMarket, &data1, option_maturity, a, sigma, x0);

ti = option_maturity;
ci = periodicity * SwaptionFixedRate;

nb_payement = (int)((contract_maturity - option_maturity) / periodicity);

critical_r = Critical_Rate(&ZCMarket, r_t, periodicity, option_maturity, contr

sum = 0.;

for (i = 1; i <= nb_payement; i++)
{
    ti += periodicity;

    /* coefficients of P(0,S) */
    bond_coeffs(&ZCMarket, &data2, ti, a, sigma, x0);

    /* omega distribution of P(T,S) */
    transport(&om, data1, data2, a, sigma, x0);

    Strike_i = exp(-(om.B * critical_r + om.b * sqrt(2 * critical_r) + om.c));

    PutOptionPrice = zb_call_quad1d(&ZCMarket, a, sigma, option_maturity, ti,

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        sum += ci * PutOptionPrice;
    }

    sum += PutOptionPrice;

    *price = Nominal * sum;

    DeleteZCMarketData(&ZCMarket);

    return OK;
}

int CALC(CF_ReceiverSwaptionSG1D)(void *Opt, void *Mod, PricingMethod *Met)
{
    TYPEOPT *ptOpt = (TYPEOPT *)Opt;
    TYPEMOD *ptMod = (TYPEMOD *)Mod;

    return cf_ps1d(ptMod->flat_flag.Val.V_INT,
                   MOD(GetYield)(ptMod),
                   MOD(GetCurve)(ptMod),
                   ptOpt->Nominal.Val.V_PDOUBLE,
                   ptOpt->ResetPeriod.Val.V_DATE,
                   ptOpt->OMaturity.Val.V_DATE - ptMod->T.Val.V_DATE,
                   ptOpt->BMaturity.Val.V_DATE - ptMod->T.Val.V_DATE,
                   ptOpt->FixedRate.Val.V_PDOUBLE,
                   ptMod->a.Val.V_DOUBLE,
                   ptMod->Sigma.Val.V_PDOUBLE,
                   &(Met->Res[0].Val.V_DOUBLE));
}

static int CHK_OPT(CF_ReceiverSwaptionSG1D)(void *Opt, void *Mod)
{
    return strcmp(((Option *)Opt)->Name, "ReceiverSwaption");
}

#endif //PremiaCurrentVersion

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

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    {
        Met->init = 1;
        Met->HelpFilenameHint = "cf_quadratic1d_receiverswaption";
    }

    return OK;
}

PricingMethod MET(CF_ReceiverSwaptionSG1D) =
{
    "CF_SquareGaussian1d_ReceiverSwaption",
    {" " , PREMIA_NULLTYPE, {0}, FORBID}},
    CALC(CF_ReceiverSwaptionSG1D),
    {"Price", DOUBLE, {100}, FORBID}, {" " , PREMIA_NULLTYPE, {0}, FORBID}},
    CHK_OPT(CF_ReceiverSwaptionSG1D),
    CHK_ok,
    MET(Init)
} ;

```