

# **D** THE JOURNAL OF **DERIVATIVES**

The third article considers how to handle an important, but largely unmodeled, asset class within the modern framework for pricing interest-dependent securities. Chatterjea et al. consider how to build a valuation model for a bank's portfolio of credit card loans. The fourth article, although quite different, also shows how to adapt an existing valuation approach to a new class of security. Choi and Jameson devise a clever technique for pricing lookback options in a standard binomial tree, even though they are path-dependent. The secret is a particular strategy for efficient backward induction through the lattice. Finally, Navas points out a common error in the way various authors in the literature have estimated volatility when an option's underlying asset follows a standard type of jump-diffusion process. He shows how to compute volatility properly and explores how much this affects option pricing.

It is still a few weeks before Thanksgiving right now, but by the time you are reading this, it will be time to wish everyone a Happy Holiday and a Volatile Successful New Year.

**Stephen Figlewski**  
**Editor**

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