

to the Radon-Nikodym derivative, Nunes is able to obtain approximate pricing models in closed-form for single-barrier caps and floors in a multivariate Gaussian Heath-Jarrow-Morton framework. Comparisons against a Monte Carlo solution and an alternative quasi-analytic technique demonstrate that this technique can produce a huge improvement in performance, in some cases achieving better accuracy in under a second than Monte Carlo valuation reaches in more than 24 hours.

WHERE SHOULD YOU BUY YOUR OPTIONS? THE PRICING OF EXCHANGE-TRADED CERTIFICATES AND OTC DERIVATIVES IN GERMANY

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With the expansion of electronic exchanges and the nearly universal access to the Internet, it has become possible for retail investors to buy and sell exchange-traded derivative contracts from their desktops. In Europe this ability has even been extended to allow small investors to purchase over-the-counter exotic option contracts through the Internet. In this article, Muck analyzes the pricing of a variety of web-traded exotic instruments, available in this "market." As one would expect, the contracts are overpriced on average, relative to theoretical valuations based on exchange-traded options on the same underlying DAX index. A second hypothesis, that overpricing diminishes as the contracts approach maturity receives a little less support.

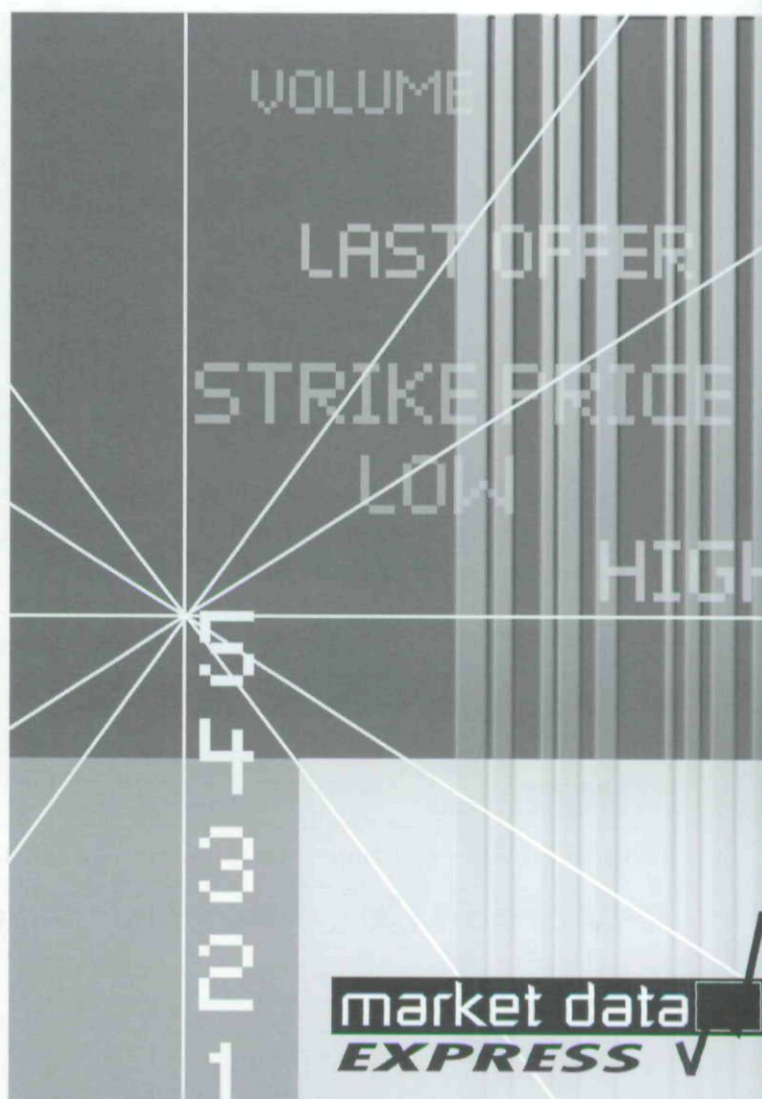
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