

[Help](#)

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#include "
href../../../../mod/doublehes1d/doublehes1d_std/doublehes1d_std_h_src.pdfhes1d_std.
#include "
href../../../../common/enums_h_src.pdfenums.h"
#include "
href../../../../common/math/ESM_func_h_src.pdfmath/ESM_func.h"
#include "pnl/pnl_random.h"

#if defined(PremiaCurrentVersion) && PremiaCurrentVersion < (2009+2) //The "#els
static int CHK_OPT(MC_BroadieKaya_Heston)(void *Opt, void *Mod)
{
    return NONACTIVE;
}
int CALC(MC_BroadieKaya_Heston)(void *Opt, void *Mod, PricingMethod *Met)
{
    return AVAILABLE_IN_FULL_PREMIA;
}
#else

int MCBroadieKaya(double S0, NumFunc_1 *pf, double T, double r, double divid, d
{
    int i
    ;
    long k;
    double g1, g2;
    double price_sample, delta_sample, mean_price, mean_delta, var_price, var_delt
    double alpha, z_alpha;
    double u;
    double d, ekd, nekd, C0, B;
    double sq_rho, KTD, RS, KRS;

    double Vi;
    double V, log_S;
    double lambda;
    double gen;
    int pois, N;
    double Vst, mean, variance, h;
    double *val;
    double delta = T / N_t_grid;
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double erT = exp((r - divid) * T);
int M;

delta = T / N_t_grid;
erT = exp((r - divid) * T);
M = 10000;
val = malloc(sizeof(double) * M);

//Useful constant
d = 4 * K_heston * Theta / (sigma * sigma);
ekd = exp(-K_heston * delta);
nekd = 1. - ekd;
C0 = pow(sigma, 2.) * nekd / (4 * K_heston);
B = ekd / C0;
sq_rho = sqrt(1 - rho * rho);
KTD = K_heston * Theta * delta;
RS = rho / sigma;
KRS = K_heston * RS - 0.5;

ESM_update_const_char(K_heston, sigma, delta, d);

/* Value to construct the confidence interval */
alpha = (1. - confidence) / 2.;
z_alpha = pn1_inv_cdfnor(1. - alpha);

/*Initialisation*/
mean_price = 0.0;
mean_delta = 0.0;
var_price = 0.0;
var_delta = 0.0;

pn1_rand_init(generator, 1, N_sample);

for (k = 0; k < N_sample; k++)
{
    // N_path Paths
    V = v0;
    log_S = log(S0);

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for (i = 0; i < N_t_grid; i++)
{
    u = pnl_rand_uni(generator);
    g2 = pnl_rand_normal(generator);

    Vi = V;
    lambda = B * Vi;
    if (d > 1)
    {
        g1 = pnl_rand_normal(generator);
        gen = pow(g1 + sqrt(lambda), 2.) + pnl_rand_chi2(d - 1.,
            generator);
    }
    else
    {
        pois = pnl_rand_poisson(lambda * 0.5, generator);
        gen = pnl_rand_chi2(d + 2 * pois, generator);
    }

    V = C0 * gen;

    Moments_ESM(Vi, V, K_heston, sigma, delta, d, &mean, &variance);

    h = M_PI / (mean + 5.*sqrt(variance));

    values_all_ESM(M, Vi, V, K_heston, sigma, delta, d, 1.e-6, h, &N, val)
    Vst = inverse_ESM(u, h, N, val);

    log_S += RS * (V - Vi - KTD) + KRS * Vst + sq_rho * sqrt(Vst) * g2;
}

/*Price*/
price_sample = (pf->Compute)(pf->Par, erT * exp(log_S));

/* Delta */
if (price_sample > 0.0)
    delta_sample = (erT * exp(log_S) / S0);
else delta_sample = 0.;

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        /* Sum */
        mean_price += price_sample;
        mean_delta += delta_sample;

        /* Sum of squares */
        var_price += SQR(price_sample);
        var_delta += SQR(delta_sample);

    }
    /* End of the N iterations */

    /* Price estimator */
    *ptprice = (mean_price / (double)N_sample);
    *pterror_price = exp(-r * T) * sqrt(var_price / (double)N_sample - SQR(*ptprice));
    *ptprice = exp(-r * T) * (*ptprice);

    /* Price Confidence Interval */
    *inf_price = *ptprice - z_alpha * (*pterror_price);
    *sup_price = *ptprice + z_alpha * (*pterror_price);

    /* Delta estimator */
    *ptdelta = exp(-r * T) * (mean_delta / (double)N_sample);
    if ((pf->Compute) == &Put)
        *ptdelta *= (-1);
    *pterror_delta = sqrt(exp(-2.0 * r * T) * (var_delta / (double)N_sample - SQR(*ptdelta)));

    /* Delta Confidence Interval */
    *inf_delta = *ptdelta - z_alpha * (*pterror_delta);
    *sup_delta = *ptdelta + z_alpha * (*pterror_delta);

    free(val);

    return OK;
}

int CALC(MC_BroadieKaya_Heston)(void *Opt, void *Mod, PricingMethod *Met)
{
    TYPEOPT *ptOpt = (TYPEOPT *)Opt;
    TYPEMOD *ptMod = (TYPEMOD *)Mod;
    double r, divid;

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r = log(1. + ptMod->R.Val.V_DOUBLE / 100.);
divid = log(1. + ptMod->Divid.Val.V_DOUBLE / 100.);

return MCBroadieKaya(ptMod->S0.Val.V_PDOUBLE,
                    ptOpt->PayOff.Val.V_NUMFUNC_1,
                    ptOpt->Maturity.Val.V_DATE - ptMod->T.Val.V_DATE,
                    r,
                    divid, ptMod->Sigma0.Val.V_PDOUBLE
                    , ptMod->MeanReversion.Val.V_PDOUBLE,
                    ptMod->LongRunVariance.Val.V_PDOUBLE,
                    ptMod->Sigma.Val.V_PDOUBLE,
                    ptMod->Rho.Val.V_PDOUBLE,
                    Met->Par[0].Val.V_LONG,
                    Met->Par[1].Val.V_INT,
                    Met->Par[2].Val.V_ENUM.value,
                    Met->Par[3].Val.V_RGDOUBLE12,
                    Met->Par[4].Val.V_PDOUBLE,
                    &(Met->Res[0].Val.V_DOUBLE),
                    &(Met->Res[1].Val.V_DOUBLE),
                    &(Met->Res[2].Val.V_DOUBLE),
                    &(Met->Res[3].Val.V_DOUBLE),
                    &(Met->Res[4].Val.V_DOUBLE),
                    &(Met->Res[5].Val.V_DOUBLE),
                    &(Met->Res[6].Val.V_DOUBLE),
                    &(Met->Res[7].Val.V_DOUBLE));

return OK;
}

static int CHK_OPT(MC_BroadieKaya_Heston)(void *Opt, void *Mod)
{
    if ((strcmp(((Option *)Opt)->Name, "CallEuro") == 0) || (strcmp(((Option *)Opt
        return OK;

    return WRONG;
}

#endif //PremiaCurrentVersion
static int MET(Init)(PricingMethod *Met, Option *Opt)
{

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//int type_generator;
if (Met->init == 0)
{
    Met->init = 1;

    Met->Par[0].Val.V_LONG = 10000;
    Met->Par[1].Val.V_INT = 1;
    Met->Par[2].Val.V_ENUM.value = 0;
    Met->Par[2].Val.V_ENUM.members = &PremiaEnumMCRNGs;
    Met->Par[3].Val.V_RGDOUBLE12 = 1.5;
    Met->Par[4].Val.V_DOUBLE = 0.95;
}

return OK;
}

PricingMethod MET(MC_BroadieKaya_Heston) =
{
    "MC_BroadieKaya",
    { {"N iterations", LONG, {100}, ALLOW},
      {"TimeStepNumber", LONG, {100}, ALLOW},
      {"RandomGenerator", ENUM, {100}, ALLOW},
      {"THRESHOLD", DOUBLE, {100}, ALLOW},
      {"Confidence Value", DOUBLE, {100}, ALLOW},
      {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },
    CALC(MC_BroadieKaya_Heston),
    { {"Price", DOUBLE, {100}, FORBID},
      {"Delta", DOUBLE, {100}, FORBID} ,
      {"Error Price", DOUBLE, {100}, FORBID},
      {"Error Delta", DOUBLE, {100}, FORBID} ,
      {"Inf Price", DOUBLE, {100}, FORBID},
      {"Sup Price", DOUBLE, {100}, FORBID} ,
      {"Inf Delta", DOUBLE, {100}, FORBID},
      {"Sup Delta", DOUBLE, {100}, FORBID} ,
      {" ", PREMIA_NULLTYPE, {0}, FORBID}
    },
    CHK_OPT(MC_BroadieKaya_Heston),
    CHK_mc,
    MET(Init)
};

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