



Financial Engineering. Simplified.



Success Stories

How our solutions helped a fixed income hedge fund?

A New York based hedge fund was looking for pricing and hedging solutions for structured notes in the rates world which include spread range accruals and reverse turbos. The user was seeking an application which can highlight any mispricing opportunities arising from differences between historic and market implied correlations



Challenges

- ▶ The underlying instruments were extremely path dependent and needed more than a regular Black-Scholes model
- ▶ The tool was expected to calculate both static and dynamic hedges



Our Solution

- ▶ Implemented a fully calibrated 3 factor BGM (Libor Market Model) for pricing the underlying instruments
- ▶ Used Monte Carlo simulation techniques to obtain the corresponding hedge amounts and hedge cost



Benefits

- ▶ The desk can now successfully price and hedge some of the most exotic derivative structures
- ▶ A fully flexible framework which allows the user to enter a custom payoff function