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A stochastic local volatility technique for TARN options

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ABSTRACT

Target Accumulation Redemption Notes (TARN) are financial derivatives which give their holders the right to receive a fixed amount of cash at maturity, or those ones reaches a certain level of the underlying asset price. In this paper, we propose a model for TARN options based on a stochastic local volatility technique. The numerical results for the TARN options show that the proposed model is more accurate than the results for the Black-Scholes model.

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Disclosure statement

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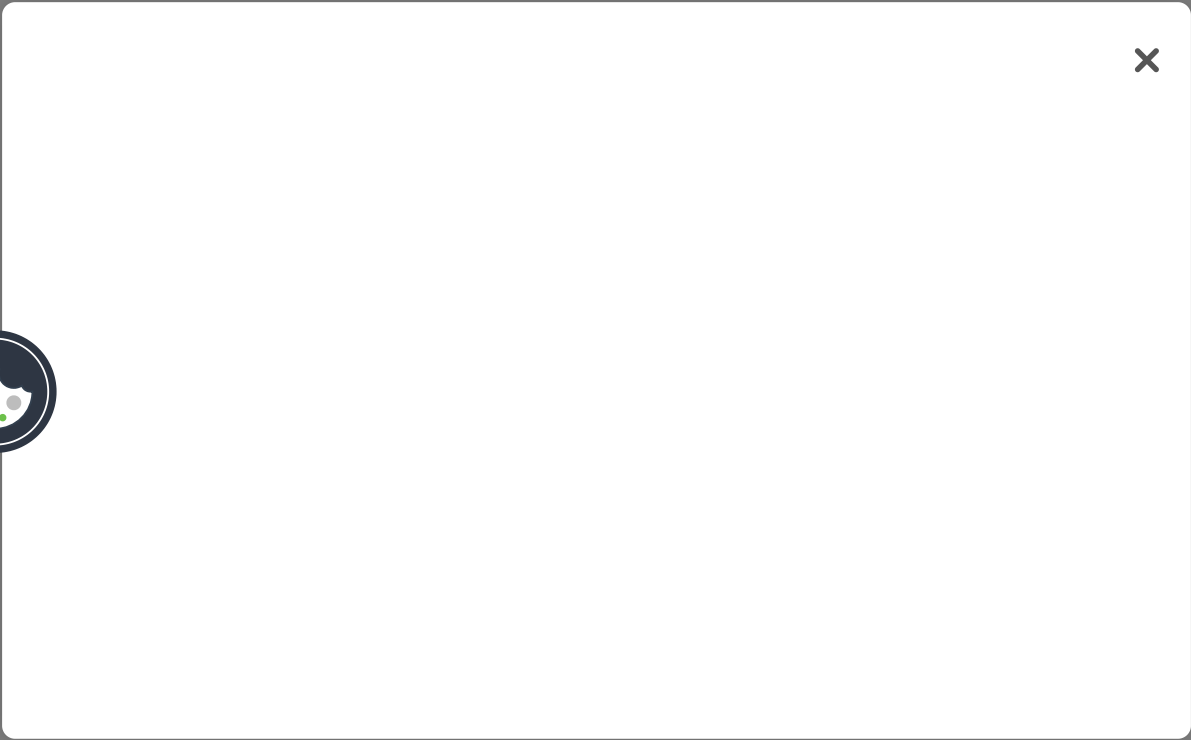
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