

Applied Financial Economics >

Volume 14, 2004 - [Issue 10](#)

108 | 1 | 0
Views | CrossRef citations to date | Altmetric

Original Articles

Valuing callable convertible bonds: a reduced approach

F. André-le Pogamp & F. Moraux

Pages 743-749 | Published online: 02 Feb 2007

 Cite this article  <https://doi.org/10.1080/0960310042000243574>

Sample our
Economics, Finance,
Business & Industry Journals
>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

 Full Article

 Figures & data

 References

 Citations

 Metrics

 Reprints & Permissions

Read this article

 Share

Abstract

This paper analyses the pricing of corporate callable convertible bonds. It reconciles the applicability of the reduced form approach with optimal strategies usually discussed in the structural approach. One demonstrates that some conditions causing rational voluntary conversions may be effectively neglected. The main contribution of the paper is to show that adjusted American Capped Call options well duplicate 'classical' optimal strategies. Numerical experiments are then conducted.

Acknowledgements

Participants of the EFMA International Conference 2000, the GARP International Research Conference 2000 and the AFFI/CNRS workshop on Quantitative Methods in Finance 1999, are thanked.

Notes

¹ Neglected in this study.

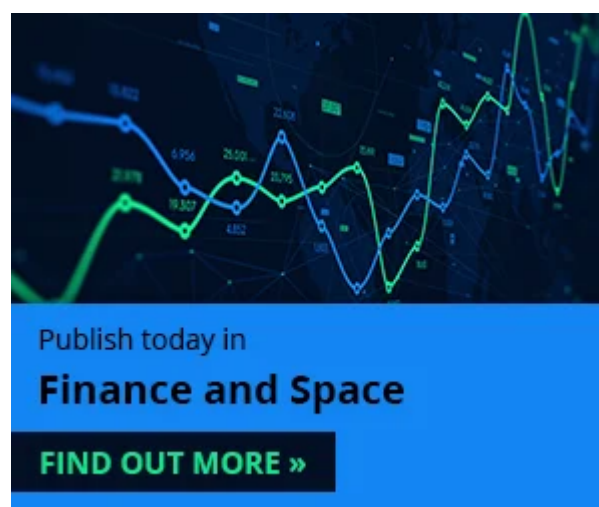
² The conversion premium being defined as the difference between convertible bond price and conversion value.

³ For a more complete discussion of this point, refer to André and Moraux (2003).

⁴ For instance, Ingersoll ([1977a,b](#)) has provided evidence that firms wait, on average until the conversion value exceeds the call price by 43.9%. See also Mikkelsen ([1981](#)), Asquith ([1995](#)).

⁵ Refer to Rich ([1994](#)) and Reiner and Rubinstein ([1991](#)) for a complete description of barrier options.

⁶ Alternative reduced form models are Jarrow and Turnbull ([1995](#)) and Duffie and Singleton ([1999](#)). The major advantage of the chosen framework is to take explicitly into account any possible future up/downgrading among the default.



Related research

Recommended articles

Cited by
1

Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG



Taylor & Francis
by informa