







Q

Home ► All Journals ► Economics, Finance & Business ► Applied Financial Economics ► List of Issues ► Volume 15, Issue 16 ► On the pricing of GDP-linked financial p

Applied Financial Economics >

Volume 15, 2005 - Issue 16

 $\begin{array}{c|c} 332 & 21 & & 0 \\ \text{Views} & \text{CrossRef citations to date} & \text{Altmetric} \end{array}$

Original Articles

On the pricing of GDP-linked financial products

Susanne Kruse, Matthias Meitner & Michael Schröder
Pages 1125-1133 | Published online: 21 Aug 2006

66 Cite this article

■ https://doi.org/10.1080/09603100500359260

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

 References

66 Citations

Metrics

Reprints & Permissions

Read this article

Share

Abstract

This paper discusses the pricing of GDP-linked financial products. GDP-linked bonds for instance are bonds which pay a coupon tied to the changes of GDP (Gross Domestic Product): if economic growth is low, the coupon decreases while a strong economic rise leads to a higher coupon. Therefore these innovative financial instruments are able to translate changes in the business cycle and long-term prospects into changes in the issuing country's debt service, taking into account GDP development. Against the background of a growing interest in macro-indexed financial instruments and Argentinas very recent offer to issue GDP-linked bonds, different characteristics of GDP-linked bonds are briefly discussed and a simple pricing approach for GDP-linked bonds and European options on GDP development is provided assuming a Black-Scholes type environment.

Acknowledgements

The authors thank Professor Wolfgang Bühler, University of Mannheim, for the kind provision of the data. His interest rate and bond data base contains price data and yields from all bonds traded at German securities exchanges.

Notes

¹ Further details on these interviews and a more detailed discussion on suitable characteristics can be found in Schröder et al. (2004).

² Both examinations are conducted using data from the interest rate and bond database of the Chair of Finance at the University of Mannheim. A detailed description of the analysis of performance and cash flow sensitivities of GDP-linked bonds in general, as well as of a quantitative in-depth comparison between the prices of straight bonds and the derived prices of GDP-linked bonds can be found in Schröder et al. (2004).

Related Research Data

The Pricing of Options and Corporate Liabilities

Source: Unknown Repository

A Simple, Positive Semi-Definite, Heteroskedasticity and Autocorrelation Consistent

Covariance Matrix

Source: Econometrica

The case for GDP-indexed bonds

Source: Economic Policy

Exotic Options

Source: Unknown Repository

Einfache Verfahren zur Bewertung von inflationsgekoppelten Finanzprodukten

Source: Blätter der DGVFM

Pricing Treasury Inflation Protected Securities and Related Derivatives using an HJM

Model

Source: Journal of Financial and Quantitative Analysis

People also read

Recommended articles

Cited by 21

Information for Open access

Authors Overview

R&D professionals Open journals

Editors Open Select

Librarians Dove Medical Press

Societies F1000Research

Opportunities Help and information

Reprints and e-prints Help and contact

Advertising solutions Newsroom

Accelerated publication All journals

Corporate access solutions Books

Keep up to date

Register to receive personalised research and resources by email



Sign me up













Copyright © 2025 Informa UK Limited Privacy policy Cookies Terms & conditions

Taylor and Francis Group

Accessibility

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

This website is experiencing some technical difficulties. We apologize and we are working to restore full functionality as soon as possible. During this time content can be read and downloaded as normal, where you already have access, although there may be a delay with new content showing. Registration, purchasing, activation of tokens, eprints, updating your account and other My Account features will remain available during this period, however reports may temporarily be delayed. We apologize for any inconvenience.

