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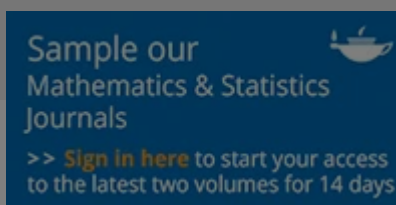
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# Delta, gamma and bucket hedging of interest rate derivatives

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## Abstract

The paper describes a framework for delta and gamma hedging an interest rate portfolio using a multifactor form of the Heath et al. (1992) model. A formal description of bucket hedging is given along with a discussion of some of the issues surrounding the choice of hedging instruments.

evolution of the interest rate market. The hedging strategy is based on the Heath et al. (1992) model, which describes the evolution of the interest rate market using a multifactor form of the Heath et al. (1992) model. A formal description of bucket hedging is given along with a discussion of some of the issues surrounding the choice of hedging instruments.

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