

Applied Mathematical Finance >

Volume 22, 2015 - [Issue 6](#)

213 | 2 | 0
Views | CrossRef citations to date | Altmetric

Original Articles

A Reduced-Form Model for Valuing Bonds with Make-Whole Call Provisions







Min Park & Steven P. Clark 

Pages 499-521 | Received 23 Jun 2014, Accepted 28 Aug 2015, Published online: 08 Nov 2015

 Cite this article  <https://doi.org/10.1080/1350486X.2015.1095643>

 Check for updates

Sample our
Mathematics & Statistics
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

We develop a reduced-form valuation model for bonds with make-whole call provisions. Informed by the structural differences between callable bonds with fixed call prices and callable bonds with make-whole call provisions, we specify our reduced-form model so that the call spread depends inversely on the default intensity. Using a sample of make-whole callable bonds, we estimate the parameters of our model using the extended Kalman filter and compare the performance of our model with the performance of a well-known reduced-form model for fixed-price callable bonds.

Key Words:

[Callable bonds](#) [make-whole call provision](#) [reduced-form model](#)

Notes

- 1 An analysis in this section is an extension of Nayar and Stock ([2008](#))
 - 2 To facilitate comparison of the two models, the notation in this section closely follows the notation in Jarrow et al. ([2010](#)).
 - 3 The notation in this section closely follows the notation in Jarrow et al. ([2010](#)).
 - 4 Even though we did not include results from restricting the α term to be positive, in our sample data, allowing α term to be negative results in a noticeable improvement in fit.
-

Related research

People also read

Recommended articles

Cited by
2

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](#)

 Taylor and Francis Group

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