



The SABR/LIBOR Market Model: Pricing, Calibration and Hedging for Complex Interest Rate Derivatives (Hardback)

By Riccardo Rebonato, Kenneth McKay, Richard White

John Wiley and Sons Ltd, United Kingdom, 2009. Hardback. Condition: New. 1. Auflage. Language: English . Brand New Book. This book presents a major innovation in the interest rate space. It explains a financially motivated extension of the LIBOR Market model which accurately reproduces the prices for plain vanilla hedging instruments (swaptions and caplets) of all strikes and maturities produced by the SABR model. The authors show how to accurately recover the whole of the SABR smile surface using their extension of the LIBOR market model. This is not just a new model, this is a new way of option pricing that takes into account the need to calibrate as accurately as possible to the plain vanilla reference hedging instruments and the need to obtain prices and hedges in reasonable time whilst reproducing a realistic future evolution of the smile surface. It removes the hard choice between accuracy and time because the framework that the authors provide reproduces today's market prices of plain vanilla options almost exactly and simultaneously gives a reasonable future evolution for the smile surface. The authors take the SABR model as the starting point for their extension of the LMM because it is a good...

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