

Bond pricing: how to use the Ox code

The file “Pricing.ox” contains Ox code for the pricing of callable and uncallable bonds according to the algorithm described in the attached paper by Peter Raahauge.

The input data are as follows:

- 1) File “input.xls” contains zero-coupon rates, or term structure information;
- 2) Such parameters as bond maturity, coupon size etc are set by the user at the top of “Pricing.ox”. Note that the maturity cannot exceed the depth of term structure.

After the input data are set, run “Pricing.ox” and the output will be as follows:

- 1) The prices of callable bond, uncallable bond and implied embedded option are printed out;
- 2) File “Discounts.xls” is created. It contains the discount factors fitted to the term structure that were used for pricing.