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Interest Rate Derivatives: An analysis of interest rate hybrid products

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Abstract

The globalisation phenomena is causing an increasing interaction between different markets and sectors. This has led to the evolution of derivative instruments from "single asset" instruments to complex derivatives that have underlying assets from different markets, sectors and sub-sectors. These are the so-called hybrid products that have multi-assets as underlying instruments. This article focuses on interest rate hybrid products. In this article an analysis of the application of stochastic interest rate models and stochastic volatility models in pricing and hedging interest rate hybrid products will be explored.

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