

Pricing and hedging quanto commodity options.

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Abstract

In recent years there has been an advent of quanto options in energy markets. These are rather a different type from other markets, since the structure of the payoff is written on an underlying energy index and a measure of temperature. In the HJM framework, we analyse the price and the hedging problem of the quanto commodity options using the Clark-Ocone formula. This paper can be viewed as an extension of the work of F.E Benth, N Lange and TA Myklebust (2015).

Keywords: quanto options; energy market; Malliavin calculus.

References

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