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Dan Pirjol*, 277 Park Avenue, New York, NY 10172. *Can one price Eurodollar futures in the Black-Derman-Toy model?*

Considering the simulation of the Black-Derman-Toy model in discrete time and with continuous state variable, we note an explosive behavior of the Eurodollar future prices at a critical value of the volatility. In the limit of a very small simulation time step, the singularity appears for any volatility and reproduces the well-known Hogan-Weintraub singularity which is generic for short rate interest rate models with log-normally distributed rates. We study the conditions under the singularity appears, and give upper and lower bounds on the critical volatility. (Received November 17, 2014)