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Nick Costanzino* (nick.costanzino@gmail.com), Toronto, Ontario , Canada. *Pricing Recovery Swaps in the Madan-Bakshi-Zhang Framework.*

In this talk I will price recovery swaps in a hazard rate framework when the recovery rate, hazard rate, and interest rate are all correlated and driven by single diffusion. In particular, the default and recovery rates are modeled via a Madan-Bakshi-Zhang type model in which the interest rate is the only risk driver and assumed to follow a CIR process. The pricing problem leads to a one dimensional partial differential equation which is solved exactly in closed form in particular parameter regimes. For other parameter regimes we use the Dyson-Taylor commutator method to compute time-asymptotic expansions. We then make comparisons with A. Berd's arbitrage-free pricing relationship. (Received December 29, 2014)