

Release Notes for Financial Instruments Toolbox™

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Release Notes for Financial Instruments Toolbox™

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R2013a

Pricing functions for options on floating-rate notes (FRNs)	2
Pricing functions for FRNs with embedded options	3
Performance enhancements in implied volatility calculations	4
Calibration and Monte Carlo simulation of single-factor and multifactor interest-rate models, including Hull-White, Linear Gaussian, and LIBOR Market Models	5

R2012b

Merge of Fixed-Income Toolbox and Financial Derivatives Toolbox to Financial Instruments Toolbox	8
Cap and floor floating-rate note pricing using trees	9
Forward-swap pricing using trees or term structure	10
Functions for fitting and extracting calibrated parameters from IRFunctionCurve objects	11
LIBOR market model example	12
Counterparty credit risk example	13
Conversion of error and warning message identifiers	14

R2013a

Version: 1.1
New Features: Yes
Bug Fixes: No

Pricing functions for options on floating-rate notes (FRNs)

Support for pricing a floating-rate note instrument with an option using tree models.

Function	Purpose
optfloatbybdt	Price an option for a floating-rate note using a Black-Derman-Toy interest-rate tree.
optfloatbyhjm	Price an option for a floating-rate note using a Heath-Jarrow-Morton interest-rate tree.
optfloatbyhw	Price an option for a floating-rate note using a Hull-White interest-rate tree.
optfloatbybk	Price an option for a floating-rate note using a Black-Karasinski interest-rate tree.
instoptfloat	Define the option instrument for a floating-rate note.

Pricing functions for FRNs with embedded options

Support for pricing a floating-rate note instrument with an embedded option using tree models.

Function	Purpose
<code>optemfloatbybdt</code>	Price an embedded option for a floating-rate note using a Black-Derman-Toy interest-rate tree.
<code>optemfloatbybk</code>	Price an embedded option for a floating-rate note using a Black-Karasinski interest-rate tree.
<code>optemfloatbyhjm</code>	Price an embedded option for a floating-rate note using a Heath-Jarrow-Morton interest-rate tree.
<code>optemfloatbyhw</code>	Price an embedded option for a floating-rate note using a Hull-White interest-rate tree.
<code>instoptemfloat</code>	Define the floating-rate note with an embedded option instrument.

Performance enhancements in implied volatility calculations

Improved performance for calculating implied volatility when using `impvbybjs` and `impvbyrgw`.

Calibration and Monte Carlo simulation of single-factor and multifactor interest-rate models, including Hull-White, Linear Gaussian, and LIBOR Market Models

Support for pricing interest-rate instruments for caps, floors, and swaptions using Monte Carlo simulation with Hull-White, Shifted Gaussian, and LIBOR Market Models. There are three new classes, three new methods, and four new functions.

Class	Purpose
HullWhite1F	Create a Hull-White one-factor model.
LinearGaussian2F	Create a two-factor additive Gaussian interest-rate model.
LiborMarketModel	Create a LIBOR Market Model.

Method	Purpose
HullWhite1F.simTerm	Simulate term structures for a Hull-White one-factor model.
LinearGaussian2F.simTerm	Simulate term structures for a two-factor additive Gaussian interest-rate model.
LiborMarketModel.simTerm	Simulate term structures for a LIBOR Market Model.

Function	Purpose
capbylg2f	Price caps using a Linear Gaussian two-factor model.
floorbylg2f	Price floors using a Linear Gaussian two-factor model.

Function	Purpose
swaptionbylg2f	Price European swaptions using a Linear Gaussian two-factor model.
blackvolbyrebonato	Compute the Black volatility for a LIBOR Market Model using the Rebonato formula.

R2012b

Version: 1.0
New Features: Yes
Bug Fixes: No

Merge of Fixed-Income Toolbox and Financial Derivatives Toolbox to Financial Instruments Toolbox

Compatibility Considerations: Yes

Fixed-Income Toolbox™ and Financial Derivatives Toolbox™ are merged into the new product Financial Instruments Toolbox™.

Cap and floor floating-rate note pricing using trees

Support for pricing capped, collared, and floored floating-rate notes using the `CapRate` and `FloorRate` arguments.

Function	Purpose
<code>floatbybdt</code>	Price a capped floating-rate note using a Black-Derman-Toy interest-rate tree.
<code>floatbyhjm</code>	Price a capped floating-rate note using a Heath-Jarrow-Morton interest-rate tree.
<code>floatbyhw</code>	Price a capped floating-rate note using a Hull-White interest-rate tree.
<code>floatbybk</code>	Price a capped floating-rate note using a Black-Karasinski interest-rate tree.
<code>instfloat</code>	Create a capped floating-rate note instrument.
<code>instadd</code>	Add capped floating-rate note instruments to a portfolio.

Forward-swap pricing using trees or term structure

Support for interest-rate forward swaps using the new `StartDate` argument to define the future date for the swap instrument.

Function	Purpose
<code>swapbyzero</code>	Price a bond using a set of zero curves.
<code>swapbybdt</code>	Price a forward swap using a Black-Derman-Toy interest-rate tree.
<code>swapbyhjm</code>	Price a forward swap using a Heath-Jarrow-Morton interest-rate tree.
<code>swapbyhw</code>	Price a forward swap using a Hull-White interest-rate tree.
<code>swapbybk</code>	Price a forward swap using a Black-Karasinski interest-rate tree.
<code>instswap</code>	Create a forward swap instrument.
<code>instadd</code>	Add forward swap instruments to a portfolio.

Functions for fitting and extracting calibrated parameters from `IRFunctionCurve` objects

New enhancements for `IRFunctionCurve` object, including the ability to get calibrated parameters, the ability to specify linear inequality parameter constraints, and support for curve type in `fitSmoothingSpline` to be forward, zero, and discount.

LIBOR market model example

New example for mortgage prepayment that uses a LIBOR market model to generate interest-rate evolutions. For more information, see “Prepayment Modeling with a Two Factor Hull White Model and a LIBOR Market Model”.

Counterparty credit risk example

New example for computing the unilateral Credit Value (Valuation) Adjustment (CVA) for a bank holding a portfolio of vanilla interest-rate swaps with several counterparties. For more information, see “Counterparty Credit Risk and CVA”.

Conversion of error and warning message identifiers

Compatibility Considerations: Yes

For R2012b, error and warning message identifiers have changed in Financial Instruments Toolbox.

Compatibility Considerations

If you have scripts or functions that use message identifiers that changed, you must update the code to use the new identifiers. Typically, message identifiers are used to turn off specific warning messages, or in code that uses a try/catch statement and performs an action based on a specific error identifier.

For example, because Fixed-Income Toolbox and Financial Derivatives Toolbox merged to become Financial Instruments Toolbox, the `finfixed` and `finderiv` message identifiers have changed to `fininst`. If your code checks for `finfixed` or `finderiv` message identifiers, you must update it to check for `fininst` instead.

To determine the identifier for an error, run the following command just after you see the error:

```
exception = MException.last;  
MSGID = exception.identifier;
```

To determine the identifier for a warning, run the following command just after you see the warning:

```
[MSG,MSGID] = lastwarn;
```

This command saves the message identifier to the variable `MSGID`.