## **Contents**

Preface		page v
1	Advanced Tools for Rocket Science	1
2	An Introduction to Mathematica	12
3	Mathematical Finance Preliminaries	68
4	Mathematical Preliminaries	85
5	Log and Power Contracts	127
6	Binary Options and the Normal Distribution	136
7	Vanilla European Calls and Puts	151
8	Barrier Options - a Case Study in Rapid Development	167
9	Analytical Models of Lookbacks	189
10	Vanilla Asian Options - Analytical Methods	200
11	Vanilla American Options - Analytical Methods	215
12	Double Barrier, Compound, Quanto Options and Other Exotics	237
13	The Discipline of the Greeks and Overview of Finite-Difference Schemes	258
14	Finite-Difference Schemes for the Diffusion Equation with Smooth Initial Conditions	266
15	Finite-Difference Schemes for the Black-Scholes Equation with Non-smooth Payoff Initia	al
	Conditions	279
16	SOR and PSOR Schemes for the Three-Time-Level Douglas Scheme and Application t	o
	American Options	306
17	Linear Programming Alternatives to PSOR and Regression	331
18	Traditional and Supersymmetric Trees	344
19	Tree Implementation in Mathematica and Basic Tree Pathology	363
20	Turbo-charged Trees with the Mathematica Compiler	387
21	Monte Carlo and Wozniakowski Sampling	400
22	Basic Applications of Monte Carlo	420
23	Monte Carlo Simulation of Basket Options	437
24	Getting Jumpy over Dividends	454
25	Simple Deterministic and Stochastic Interest-Rate Models	470
26	Building Yield Curves from Market Data	482
27	Simple Interest Rate Options	504
28	Modelling Volatility by Elasticity	515
Index		534