
CODY HYNDMAN, Concordia University, 1455 boul. de Maisonneuve O., Montreal, Quebec H3G 1M8

Forward-backward stochastic differential equations and term structure derivatives

We consider the application of forward-backward stochastic differential equations (FBSDEs) to the problem of pricing and hedging various term structure derivatives. The underlying short-rate model considered is a multi-factor affine term structure model. Characterizing the underlying dynamics and derivative prices as FBSDEs allows for the implementation of simulation-based numerical methods for solving FBSDEs.