

OSCILLATOR MODEL FOR RISKY CORPORATE COUPON BONDS

Belal Baaquie

Helixtap Technologies, Singapore

ABSTRACT

An exact model for Merton's formulation of risky coupon bond is derived. The coupons are stochastic, depending on the market capitalization of the issuing firms. The model has been empirically tested using 40 coupon bonds on the NYSE. Some of the results are discussed.

Keywords: oscillator model, coupon bonds, stochastic, Merton's model,