

# Package ‘LSMonteCarlo’

May 7, 2026

**Type** Package

**Title** American options pricing with Least Squares Monte Carlo method

**Version** 1.0

**Date** 2013-09-20

**Author** Mikhail A. Beketov

**Maintainer** Mikhail A. Beketov <mikhail.beketov@gmx.de>

**Description** The package compiles functions for calculating prices of American put options with Least Squares Monte Carlo method. The option types are plain vanilla American put, Asian American put, and Quanto American put. The pricing algorithms include variance reduction techniques such as Antithetic Variates and Control Variates. Additional functions are given to derive ``price surfaces" at different volatilities and strikes, create 3-D plots, quickly generate Geometric Brownian motion, and calculate prices of European options with Black & Scholes analytical solution.

**License** GPL-3

**Depends** mvtnorm, fBasics, stats, utils, graphics, grDevices

**NeedsCompilation** no

**Repository** CRAN

**Date/Publication** 2013-09-23 23:07:43

## Contents

LSMonteCarlo-package . . . . .	2
AmerPutLSM . . . . .	3
AmerPutLSMPriceSurf . . . . .	4
AmerPutLSM_AV . . . . .	6
AmerPutLSM_CV . . . . .	7
AsianAmerPutLSM . . . . .	9
AsianAmerPutLSMPriceSurf . . . . .	10
EuPutBS . . . . .	11
fastGBM . . . . .	12
firstValueRow . . . . .	13
price . . . . .	13

QuantoAmerPutLSM . . . . .	14
QuantoAmerPutLSMPriceSurf . . . . .	16
QuantoAmerPutLSM_AV . . . . .	17

<b>Index</b>	<b>19</b>
--------------	-----------

---

LSMonteCarlo-package    *American options pricing with Least Squares Monte Carlo method*

---

## Description

The package compiles functions that calculate prices of American put options with Least Squares Monte Carlo method. The option types are plain vanilla American put, Asian American put, and Quanto American put. The pricing algorithms include variance reduction techniques such as Antithetic Variates and Control Variates. Additional functions are given to derive "price surfaces" at different volatilities and strikes, create 3-D plots, quickly generate Geometric Brownian motion, and calculate prices of European options with Black & Scholes analytical solution.

## Details

Package:   LSMonteCarlo  
 Type:     Package  
 Version:   1.0  
 Date:     2013-09-20  
 License:   GPL 3

The Least Squares Monte Carlo is an approach developed to approximate the value of American options. It combines regression modeling and Monte Carlo simulation. The key feature of this method is estimation of the conditional expectation of the future pay-offs by a regression model (for details see Longstaff & Schwartz, 2000). The main pricing functions employing this method in the package are: AmerPutLSM, AsianAmerPutLSM, and QuantoAmerPutLSM. Pricing functions that include variance reduction methods are: AmerPutLSM\_AV, QuantoAmerPutLSM\_AV (Antithetic Variates) and AmerPutLSM\_CV (Control Variates, with Black & Scholes solution for European put used as the control). All these functions are based on Geometric Brownian motion as a price process. They can be used with tailored summary, print, and price functions. The "price surfaces" at different volatilities and strikes can be derived using the functions AmerPutLSMPriceSurf, AsianAmerPutLSMPriceSurf, and QuantoAmerPutLSMPriceSurf, and plotted with tailored plot function. For general reading on option pricing with Monte Carlo methods see Glasserman (2004).

## Author(s)

Mikhail A. Beketov

Maintainer: Mikhail A. Beketov <mikhail.beketov@gmx.de>

## References

- Glasserman, P. 2004. Monte Carlo Methods in Financial Engineering. Springer.
- Longstaff, F.A., and E.S. Schwartz. 2000. Valuing american option by simulation: A simple least-squared approach. The Review of Financial Studies. 14:113-147.

## See Also

Functions: [AmerPutLSM](#), [AmerPutLSM\\_AV](#), [AmerPutLSM\\_CV](#), [AsianAmerPutLSM](#), [QuantoAmerPutLSM](#), and [QuantoAmerPutLSM\\_AV](#).

## Examples

```
Put<-AmerPutLSM(Spot=14.2, Strike=16.5, n=200, m=50)
summary(Put)
price(Put)
plot(AmerPutLSMPriceSurf(vols = (seq(0.1, 1.5, 0.2)), n=200, m=10,
strikes = (seq(0.5, 1.9, 0.2))), color = divPalette(150, "RdBu"))
```

---

AmerPutLSM

*Calculating the price of plain vanilla American put*

---

## Description

The function calculates the price of plain vanilla American put with Least Squares Monte Carlo method. The regression model included in the algorithm is quadratic polynomial (Longstaff & Schwartz, 2000).

## Usage

```
AmerPutLSM(Spot = 1, sigma = 0.2, n = 1000, m = 365, Strike = 1.1, r = 0.06,
dr = 0, mT = 1)
```

```
## S3 method for class 'AmerPut'
print(x, ...)
## S3 method for class 'AmerPut'
summary(object, ...)
```

## Arguments

Spot	Spot price of the underlying asset (e.g. stock).
sigma	Volatility of the underlying asset.
n	Number of paths simulated.
m	Number of time steps in the simulation.
Strike	Strike price of the option.
r	Interest rate of the numeraire currency (e.g. EUR).

dr	Dividend rate of the underlying asset.
mT	Maturity time (years).
x	An object returned by the functions AmerPutLSM.
object	An object returned by the function AmerPutLSM.
...	Not used.

### Value

The function returns an object of the class AmerPut that is a list comprising the price calculated, option type, and the entry parameters. Class-specific print function gives the option type information and the price. The price as a single number can be derived using the price function. An overview of the entire object can be seen using the summary function.

### Author(s)

Mikhail A. Beketov

### References

Longstaff, F.A., and E.S. Schwartz. 2000. Valuing american option by simulation: A simple least-squared approach. *The Review of Financial Studies*. 14:113-147.

### See Also

Functions: [price](#), [AmerPutLSM\\_AV](#), [AmerPutLSM\\_CV](#), [AsianAmerPutLSM](#), and [QuantoAmerPutLSM](#).

### Examples

```
AmerPutLSM()
put<-AmerPutLSM(Spot=14.2, Strike=16.5, n=500, m=100)
put
summary(put)
price(put)
put$price
```

---

AmerPutLSMPriceSurf *Deriving a table of American put prices at different volatilities and strikes*

---

### Description

The function calculates the prices at different volatilities and strikes using the AmerPutLSM function.

**Usage**

```
AmerPutLSMPriceSurf(Spot = 1, vols = (seq(0.1, 2, 0.1)), n = 1000, m = 365,
strikes = (seq(0.5, 2.5, 0.1)), r = 0.06, dr = 0, mT = 1)

## S3 method for class 'PriceSurface'
summary(object, ...)
## S3 method for class 'PriceSurface'
plot(x, color = divPalette(800, "RdBu"), ...)
```

**Arguments**

Spot	Spot price of the underlying asset (e.g. stock).
vols	Sequence of volatilities.
n	Number of paths simulated.
m	Number of time steps in the simulation.
strikes	Sequence of strikes.
r	Interest rate of the numeraire currency (e.g. EUR).
dr	Dividend rate of the underlying asset.
mT	Maturity time (years).
object	Object of the class PriceSurface that is a matrix of prices at different volatilities and strikes.
x	Object of the class PriceSurface that is a matrix of prices at different volatilities and strikes.
color	Color palette (the default pallet requires package fBasics, if you do not want to load this package, you can set color=NULL or other palette).
...	Not used.

**Value**

The function returns an object of the class PriceSurface that is a matrix of prices at different volatilities and strikes. Class-specific `summary` function gives the sequences of volatilities and strikes used, as well as maximum, minimum, and average prices. Class-specific `plot` function constructs a 3-D plot of the price surface.

**Author(s)**

Mikhail A. Beketov

**See Also**

Functions: [AmerPutLSM](#), [AsianAmerPutLSMPriceSurf](#), and [QuantoAmerPutLSMPriceSurf](#).

**Examples**

```
surface<-AmerPutLSMPriceSurf(vols = (seq(0.1, 1.5, 0.2)), n=200, m=10,
strikes = (seq(0.5, 1.9, 0.2)))
summary(surface)
plot(surface, color = divPalette(150, "RdBu"))
```

---

AmerPutLSM\_AV

*Pricing plain vanilla American put with Antithetic Variates*


---

**Description**

The function calculates the price of a plain vanilla American put with Least Squares Monte Carlo method with Antithetic Variates (Glasserman, 2004). The regression model included in the algorithm is quadratic polynomial (Longstaff & Schwartz, 2000).

**Usage**

```
AmerPutLSM_AV(Spot = 1, sigma = 0.2, n = 1000, m = 365, Strike = 1.1, r = 0.06,
dr = 0, mT = 1)
```

```
## S3 method for class 'AmerPutAV'
print(x, ...)
## S3 method for class 'AmerPutAV'
summary(object, ...)
```

**Arguments**

Spot	Spot price of the underlying asset (e.g. stock).
sigma	Volatility of the underlying asset.
n	Number of paths simulated.
m	Number of time steps in the simulation.
Strike	Strike price of the option.
r	Interest rate of the numeraire currency (e.g. EUR).
dr	Dividend rate of the underlying asset.
mT	Maturity time (years).
x	An object returned by the functions AmerPutLSM_AV.
object	An object returned by the function AmerPutLSM_AV.
...	Not used.

**Value**

The function returns an object of the class AmerPutAV that is a list comprising the price calculated and the entry parameters. Class-specific print function gives the option type information and the price. The price as a single number can be derived using the price function. An overview of the entire object can be seen using the summary function.

**Author(s)**

Mikhail A. Beketov

**References**

Glasserman, P. 2004. Monte Carlo Methods in Financial Engineering. Springer.

Longstaff, F.A., and E.S. Schwartz. 2000. Valuing american option by simulation: A simple least-squared approach. The Review of Financial Studies. 14:113-147.

**See Also**

Functions: [price](#), [AmerPutLSM](#), [AmerPutLSM\\_CV](#), [AsianAmerPutLSM](#), and [QuantoAmerPutLSM](#).

**Examples**

```
AmerPutLSM_AV(n=500, m=50)
put<-AmerPutLSM_AV(Spot=14.2, Strike=16.5, n=200, m=50)
put
summary(put)
price(put)
put$price
```

---

AmerPutLSM\_CV

*Pricing plain vanilla American put with Control Variates*

---

**Description**

The function calculates the price of a plain vanilla American put with Least Squares Monte Carlo method with Control Variates (Glasserman, 2004). Black & Scholes solution for European put is used as the control. The regression model included in the algorithm is quadratic polynomial (Longstaff & Schwartz, 2000).

**Usage**

```
AmerPutLSM_CV(Spot = 1, sigma = 0.2, n = 1000, m = 365, Strike = 1.1, r = 0.06,
dr = 0, mT = 1)

## S3 method for class 'AmerPutCV'
print(x, ...)
## S3 method for class 'AmerPutCV'
summary(object, ...)
```

**Arguments**

Spot	Spot price of the underlying asset (e.g. stock).
sigma	Volatility of the underlying asset.
n	Number of paths simulated.
m	Number of time steps in the simulation.
Strike	Strike price of the option.
r	Interest rate of the numeraire currency (e.g. EUR).
dr	Dividend rate of the underlying asset.
mT	Maturity time (years).
x	An object returned by the functions AmerPutLSM_CV.
object	An object returned by the function AmerPutLSM_CV.
...	Not used.

**Value**

The function returns an object of the class AmerPutCV that is a list comprising the price calculated and the entry parameters. Class-specific print function gives the option type information and the price. The price as a single number can be derived using the price function. An overview of the entire object can be seen using the summary function.

**Author(s)**

Mikhail A. Beketov

**References**

- Glasserman, P. 2004. Monte Carlo Methods in Financial Engineering. Springer.
- Longstaff, F.A., and E.S. Schwartz. 2000. Valuing american option by simulation: A simple least-squared approach. The Review of Financial Studies. 14:113-147.

**See Also**

Functions: [price](#), [AmerPutLSM](#), [AmerPutLSM\\_AV](#), [AsianAmerPutLSM](#), and [QuantoAmerPutLSM](#).

**Examples**

```
AmerPutLSM_CV()
put<-AmerPutLSM_CV(Spot=14.2, Strike=16.5, n=200, m=50)
put
summary(put)
price(put)
put$price
```

AsianAmerPutLSM

*Calculating the price of Asian American put***Description**

The function calculates the price of Asian American put with Least Squares Monte Carlo method (pay-off based on arithmetic mean). The regression model included in the algorithm is quadratic polynomial (Longstaff & Schwartz, 2000).

**Usage**

```
AsianAmerPutLSM(Spot = 1, sigma = 0.2, n = 1000, m = 365, Strike = 1.1, r = 0.06,
dr = 0, mT = 1)
```

```
## S3 method for class 'AsianAmerPut'
print(x, ...)
## S3 method for class 'AsianAmerPut'
summary(object, ...)
```

**Arguments**

Spot	Spot price of the underlying asset (e.g. stock).
sigma	Volatility of the underlying asset.
n	Number of paths simulated.
m	Number of time steps in the simulation.
Strike	Strike price of the option.
r	Interest rate of the numeraire currency (e.g. EUR).
dr	Dividend rate of the underlying asset.
mT	Maturity time (years).
x	An object returned by the functions AsianAmerPutLSM.
object	An object returned by the function AsianAmerPutLSM.
...	Not used.

**Value**

The function returns an object of the class AsianAmerPut that is a list comprising the price calculated, option type, and the entry parameters. Class-specific print function gives the option type information and the price. The price as a single number can be derived using the price function. An overview of the entire object can be seen using the summary function.

**Author(s)**

Mikhail A. Beketov

**References**

Longstaff, F.A., and E.S. Schwartz. 2000. Valuing american option by simulation: A simple least-squared approach. *The Review of Financial Studies*. 14:113-147.

**See Also**

Functions: [price](#), [AmerPutLSM](#), [AmerPutLSM\\_CV](#), [AmerPutLSM\\_AV](#), and [QuantoAmerPutLSM](#).

**Examples**

```
AsianAmerPutLSM(n=500, m=100)
put<-AsianAmerPutLSM(Spot=14.2, Strike=16.5, n=500, m=50)
put
summary(put)
price(put)
put$price
```

---

AsianAmerPutLSMPriceSurf

*Deriving a table of Asian American put prices at different volatilities and strikes*

---

**Description**

The function calculates the prices at different volatilities and strikes using the AsianAmerPutLSM function.

**Usage**

```
AsianAmerPutLSMPriceSurf(Spot = 1, vols = (seq(0.1, 2, 0.1)), n = 1000, m = 365,
strikes = (seq(0.5, 2.5, 0.1)), r = 0.06, dr = 0, mT = 1)
```

**Arguments**

Spot	Spot price of the underlying asset (e.g. stock).
vols	Sequence of volatilities.
n	Number of paths simulated.
m	Number of time steps in the simulation.
strikes	Sequence of strikes.
r	Interest rate of the numeraire currency (e.g. EUR).
dr	Dividend rate of the underlying asset.
mT	Maturity time (years).

**Value**

The function returns an object of the class `PriceSurface` that is a matrix of prices at different volatilities and strikes. Class-specific `summary` function gives the sequences of volatilities and strikes used, as well as maximum, minimum, and average prices. Class-specific `plot` function constructs a 3-D plot of the price surface.

**Author(s)**

Mikhail A. Beketov

**See Also**

Functions: [AsianAmerPutLSM](#), [summary.PriceSurface](#), [plot.PriceSurface](#), [AmerPutLSMPriceSurf](#), and [QuantoAmerPutLSMPriceSurf](#).

**Examples**

```
surface<-AsianAmerPutLSMPriceSurf(vols = (seq(0.1, 1.5, 0.2)), n=200, m=10,
strikes = (seq(0.5, 1.9, 0.2)))
summary(surface)
plot(surface, color = divPalette(150, "RdBu"))
```

---

EuPutBS

*Black & Scholes solution for European put and call*

---

**Description**

Pricing plain vanilla American put and call options using Black & Scholes solution.

**Usage**

```
EuPutBS(Spot, sigma, Strike, r, dr, mT)
```

```
EuCallBS(Spot, sigma, Strike, r, dr, mT)
```

**Arguments**

Spot	Spot price of the underlying asset (e.g. stock).
sigma	Volatility of the underlying asset.
Strike	Strike price of the option.
r	Interest rate of the numeraire currency (e.g. EUR).
dr	Dividend rate of the underlying asset.
mT	Maturity time (years).

**Value**

The function returns the price as a single number (class "numeric").

**See Also**[AmerPutLSM\\_CV](#)**Examples**

```
EuPutBS(1, 0.2, 1, 0.06, 0, 1)
EuCallBS(1, 0.2, 1, 0.06, 0, 1)
```

fastGBM

*Generating Geometric Brownian motion***Description**

Quick Generating Geometric Brownian motion avoiding unnecessary loops using the cumsum function. Technical function implemented in the pricing functions of the package.

**Usage**

```
fastGBM(Spot = 1, sigma = 0.2, n = 1000, m = 365, r = 0.06, dr = 0, mT = 1)
```

**Arguments**

Spot	Spot price of the underlying asset (e.g. stock).
sigma	Volatility of the underlying asset.
n	Number of paths simulated.
m	Number of time steps in the simulation.
r	Interest rate of the numeraire currency (e.g. EUR).
dr	Dividend rate of the underlying asset.
mT	Maturity time (years).

**Value**

Table with paths generated (each row is a path, class "matrix")

**Author(s)**

Mikhail A. Beketov

**See Also**

Functions: [AmerPutLSM](#), [AmerPutLSM\\_AV](#), [AmerPutLSM\\_CV](#), [AsianAmerPutLSM](#), [QuantoAmerPutLSM](#), and [QuantoAmerPutLSM\\_AV](#).

**Examples**

```
fastGBM(n=10, m=5)
matplot(t(fastGBM(n=100, m=100)), type="l") # matrix transpose by "t()"
```

---

firstValueRow	<i>Returning the first &gt;0 value in each row of a matrix</i>
---------------	--

---

**Description**

Technical function implemented in the pricing functions of the package. It returns the first >0 value in each row of a matrix and assign zero to all subsequent values.

**Usage**

```
firstValueRow(x)
```

**Arguments**

x                    A matrix.

**Value**

A matrix.

**Author(s)**

Mikhail A. Beketov

**See Also**

Functions: [AmerPutLSM](#), [AmerPutLSM\\_AV](#), [AmerPutLSM\\_CV](#), [AsianAmerPutLSM](#), [QuantoAmerPutLSM](#), and [QuantoAmerPutLSM\\_AV](#).

**Examples**

```
mat<-matrix(c(0,0,2,0,4,0,3,0,1,9,8,7), ncol=4)
mat
firstValueRow(mat)
```

---

price	<i>Extracting price from the pricing functions outputs</i>
-------	--

---

**Description**

The function is nothing else, but the object\$price action, with the object returned by the pricing functions in the package.

**Usage**

```
price(x)
```

**Arguments**

x                      Object returned by the pricing functions in the package

**Value**

The function returns the price as a single number (class "numeric").

**See Also**

Functions: [AmerPutLSM](#), [AmerPutLSM\\_AV](#), [AmerPutLSM\\_CV](#), [AsianAmerPutLSM](#), [QuantoAmerPutLSM](#), and [QuantoAmerPutLSM\\_AV](#).

**Examples**

```
put<-AmerPutLSM()
price(put)
put$price
```

---

QuantoAmerPutLSM	<i>Calculating the price of Quanto American put</i>
------------------	---

---

**Description**

The function calculates the price of Quanto American put with Least Squares Monte Carlo method. The Quanto option is cash-settled option, whose pay-off is converted into a third currency/asset at exercise at a pre-specified rate/price (Wystup, 2011), and can also be considered as a usual option but settled in a "wrong" asset (Vecer, 2011). The regression model included in the algorithm is quadratic polynomial (Longstaff & Schwartz, 2000).

**Usage**

```
QuantoAmerPutLSM(Spot = 1, sigma = 0.2, n = 1000, m = 365, Strike = 1.1, r = 0.06,
dr = 0, mT = 1, Spot2 = 1, sigma2 = 0.2, r2 = 0, dr2 = 0, rho = 0)
```

```
## S3 method for class 'QuantoAmerPut'
print(x, ...)
## S3 method for class 'QuantoAmerPut'
summary(object, ...)
```

**Arguments**

Spot                      Spot price of the underlying asset (e.g. stock).  
sigma                      Volatility of the underlying asset.  
n                              Number of paths simulated.  
m                              Number of time steps in the simulation.

Strike	Strike price of the option.
r	Interest rate of the numeraire currency (e.g. USD).
dr	Dividend rate of the underlying asset.
mT	Maturity time (years).
Spot2	Spot price of the 3rd asset (e.g. EUR/USD).
sigma2	Volatility of the 3rd asset.
r2	Interest rate of the 3rd asset.
dr2	Dividend rate of the 3rd asset.
rho	Correlation coefficient between the prices.
x	An object returned by the functions QuantoAmerPutLSM.
object	An object returned by the function QuantoAmerPutLSM.
...	Not used.

### Value

The function returns an object of the class `QuantoAmerPut` that is a list comprising the price calculated, option type, and the entry parameters. Class-specific `print` function gives the option type information and the price. The price as a single number can be derived using the `price` function. An overview of the entire object can be seen using the `summary` function.

### Note

The function `rmvnorm` included in the pricing algorithm is a part of the `mnormt` package. Please, load that package before the use of the `QuantoAmerPutLSM` function.

### Author(s)

Mikhail A. Beketov

### References

- Longstaff, F.A., and E.S. Schwartz. 2000. Valuing american option by simulation: A simple least-squared approach. *The Review of Financial Studies*. 14:113-147.
- Vecer, J. 2011. *Stochastic Finance: A Numeraire Approach*. CRC Press.
- Wystup, U. 2011. *Quanto Options*. MathFinance AG.

### See Also

Functions: [price](#), [QuantoAmerPutLSM\\_AV](#), [AmerPutLSM](#), [AsianAmerPutLSM](#), and [AmerPutLSM\\_AV](#).

### Examples

```
QuantoAmerPutLSM(n=200, m=50)
put<-QuantoAmerPutLSM(Spot=14.2, Strike=16.5, n=200, m=50)
put
summary(put)
price(put)
```

---

QuantoAmerPutLSMPriceSurf

*Deriving a table of Quanto American put prices at different volatilities and strikes*

---

### Description

The function calculates the prices at different volatilities and strikes using the QuantoAmerPutLSM function.

### Usage

```
QuantoAmerPutLSMPriceSurf(Spot = 1, vols = (seq(0.1, 2, 0.1)), n = 1000, m = 365,
  strikes = (seq(0.5, 2.5, 0.1)), r = 0.06, dr = 0, mT = 1, Spot2 = 1, sigma2 = 0.2,
  r2 = 0, dr2 = 0, rho = 0)
```

### Arguments

Spot	Spot price of the underlying asset (e.g. stock).
vols	Sequence of volatilities.
n	Number of paths simulated.
m	Number of time steps in the simulation.
strikes	Sequence of strikes.
r	Interest rate of the numeraire currency (e.g. USD).
dr	Dividend rate of the underlying asset.
mT	Maturity time (years).
Spot2	Spot price of the 3rd asset (e.g. EUR/USD).
sigma2	Volatility of the 3rd asset.
r2	Interest rate of the 3rd asset.
dr2	Dividend rate of the 3rd asset.
rho	Correlation coefficient between the prices.

### Value

The function returns an object of the class PriceSurface that is a matrix of prices at different volatilities and strikes. Class-specific `summary` function gives the sequences of volatilities and strikes used, as well as maximum, minimum, and average prices. Class-specific `plot` function constructs a 3-D plot of the price surface.

### Note

The function `rmvnorm` included in the pricing algorithm is a part of the `mnormt` package. Please, load that package before the use of the `QuantoAmerPutLSMPriceSurf` function. Using the function `plot` with default pallet requires package `fBasics`, if you do not want to load this package, you can set `color=NULL` or other palette).

**Author(s)**

Mikhail A. Beketov

**See Also**

Functions: [QuantoAmerPutLSM](#), [summary.PriceSurface](#), [plot.PriceSurface](#), [AmerPutLSMPriceSurf](#), and [AsianAmerPutLSMPriceSurf](#).

**Examples**

```
surface<-QuantoAmerPutLSMPriceSurf(vols = (seq(0.1, 1.7, 0.2)), n=100, m=5,
strikes = (seq(0.7, 1.7, 0.2)))
summary(surface)
plot(surface, color = divPalette(150, "RdBu"))
```

---

QuantoAmerPutLSM\_AV    *Pricing Quanto American put with Antithetic Variates*

---

**Description**

The function calculates the price of Quanto American put with Least Squares Monte Carlo method with Antithetic Variates (Glasserman, 2004). The Quanto option is cash-settled option, whose payoff is converted into a third currency/asset at exercise at a pre-specified rate/price (Wystup, 2011), and can also be considered as a usual option but settled in a "wrong" asset (Vecer, 2011). The regression model included in the algorithm is quadratic polynomial (Longstaff & Schwartz, 2000).

**Usage**

```
QuantoAmerPutLSM_AV(Spot = 1, sigma = 0.2, n = 1000, m = 365, Strike = 1.1,
r = 0.06, dr = 0, mT = 1, Spot2 = 1, sigma2 = 0.2, r2 = 0, dr2 = 0, rho = 0)

## S3 method for class 'QuantoAmerPut_AV'
print(x, ...)
## S3 method for class 'QuantoAmerPut_AV'
summary(object, ...)
```

**Arguments**

Spot	Spot price of the underlying asset (e.g. stock).
sigma	Volatility of the underlying asset.
n	Number of paths simulated.
m	Number of time steps in the simulation.
Strike	Strike price of the option.
r	Interest rate of the numeraire currency (e.g. USD).

dr	Dividend rate of the underlying asset.
mT	Maturity time (years).
Spot2	Spot price of the 3rd asset (e.g. EUR/USD).
sigma2	Volatility of the 3rd asset.
r2	Interest rate of the 3rd asset.
dr2	Dividend rate of the 3rd asset.
rho	Correlation coefficient between the prices.
x	An object returned by the functions QuantoAmerPutLSM_AV.
object	An object returned by the function QuantoAmerPutLSM_AV.
...	Not used.

**Value**

The function returns an object of the class `QuantoAmerPut_AV` that is a list comprising the price calculated, option type, and the entry parameters. Class-specific print function gives the option type information and the price. The price as a single number can be derived using the price function. An overview of the entire object can be seen using the summary function.

**Note**

The function `rmvnorm` included in the pricing algorithm is a part of the `mnormt` package. Please, load that package before the use of the `QuantoAmerPutLSM_AV` function.

**Author(s)**

Mikhail A. Beketov

**References**

- Glasserman, P. 2004. Monte Carlo Methods in Financial Engineering. Springer.
- Longstaff, F.A., and E.S. Schwartz. 2000. Valuing american option by simulation: A simple least-squared approach. *The Review of Financial Studies*. 14:113-147.
- Vecer, J. 2011. Stochastic Finance: A Numeraire Approach. CRC Press.
- Wystup, U. 2011. Quanto Options. MathFinance AG.

**See Also**

Functions: [price](#), [QuantoAmerPutLSM](#), [AmerPutLSM](#), [AsianAmerPutLSM](#), and [AmerPutLSM\\_AV](#).

**Examples**

```
QuantoAmerPutLSM_AV(n=200, m=50)
put<-QuantoAmerPutLSM_AV(Spot=14.2, Strike=16.5, n=200, m=50)
put
summary(put)
price(put)
```

# Index

- \* **American call**
  - EuPutBS, 11
- \* **American put**
  - AmerPutLSM, 3
  - AmerPutLSM\_AV, 6
  - AmerPutLSM\_CV, 7
  - AmerPutLSMPriceSurf, 4
  - AsianAmerPutLSM, 9
  - AsianAmerPutLSMPriceSurf, 10
  - EuPutBS, 11
  - fastGBM, 12
  - firstValueRow, 13
  - price, 13
  - QuantoAmerPutLSM, 14
  - QuantoAmerPutLSM\_AV, 17
  - QuantoAmerPutLSMPriceSurf, 16
- \* **Monte Carlo**
  - AmerPutLSM, 3
  - AmerPutLSM\_AV, 6
  - AmerPutLSM\_CV, 7
  - AmerPutLSMPriceSurf, 4
  - AsianAmerPutLSM, 9
  - AsianAmerPutLSMPriceSurf, 10
  - fastGBM, 12
  - firstValueRow, 13
  - LSMonteCarlo-package, 2
  - price, 13
  - QuantoAmerPutLSM, 14
  - QuantoAmerPutLSM\_AV, 17
  - QuantoAmerPutLSMPriceSurf, 16
- \* **Option pricing**
  - AmerPutLSM, 3
  - AmerPutLSM\_AV, 6
  - AmerPutLSM\_CV, 7
  - AmerPutLSMPriceSurf, 4
  - AsianAmerPutLSM, 9
  - AsianAmerPutLSMPriceSurf, 10
  - EuPutBS, 11
  - fastGBM, 12
  - firstValueRow, 13
  - LSMonteCarlo-package, 2
  - price, 13
  - QuantoAmerPutLSM, 14
  - QuantoAmerPutLSM\_AV, 17
  - QuantoAmerPutLSMPriceSurf, 16
- \* **Quantitative Finance**
  - LSMonteCarlo-package, 2
- \* **Regression**
  - LSMonteCarlo-package, 2
- \*
  - LSMonteCarlo-package, 2
  - AmerPutLSM, 3, 3, 5, 7, 8, 10, 12–15, 18
  - AmerPutLSM\_AV, 3, 4, 6, 8, 10, 12–15, 18
  - AmerPutLSM\_CV, 3, 4, 7, 7, 10, 12–14
  - AmerPutLSMPriceSurf, 4, 11, 17
  - AsianAmerPutLSM, 3, 4, 7, 8, 9, 11–15, 18
  - AsianAmerPutLSMPriceSurf, 5, 10, 17
  - EuCallBS (EuPutBS), 11
  - EuPutBS, 11
  - fastGBM, 12
  - firstValueRow, 13
  - LSMonteCarlo (LSMonteCarlo-package), 2
  - LSMonteCarlo-package, 2
  - plot.PriceSurface, 11, 17
  - plot.PriceSurface
    - (AmerPutLSMPriceSurf), 4
  - price, 4, 7, 8, 10, 13, 15, 18
  - print.AmerPut (AmerPutLSM), 3
  - print.AmerPutAV (AmerPutLSM\_AV), 6
  - print.AmerPutCV (AmerPutLSM\_CV), 7
  - print.AsianAmerPut (AsianAmerPutLSM), 9
  - print.QuantoAmerPut (QuantoAmerPutLSM), 14
  - print.QuantoAmerPut\_AV
    - (QuantoAmerPutLSM\_AV), 17

QuantoAmerPutLSM, [3](#), [4](#), [7](#), [8](#), [10](#), [12–14](#), [14](#),  
[17](#), [18](#)

QuantoAmerPutLSM\_AV, [3](#), [12–15](#), [17](#)

QuantoAmerPutLSMPriceSurf, [5](#), [11](#), [16](#)

summary.AmerPut (AmerPutLSM), [3](#)

summary.AmerPutAV (AmerPutLSM\_AV), [6](#)

summary.AmerPutCV (AmerPutLSM\_CV), [7](#)

summary.AsianAmerPut (AsianAmerPutLSM),  
[9](#)

summary.PriceSurface, [11](#), [17](#)

summary.PriceSurface  
(AmerPutLSMPriceSurf), [4](#)

summary.QuantoAmerPut  
(QuantoAmerPutLSM), [14](#)

summary.QuantoAmerPut\_AV  
(QuantoAmerPutLSM\_AV), [17](#)