

Market of defaultable bonds driven by infinite dimensional Lévy processes

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ABSTRACT

A bond market with defaultable bonds modelled with Lévy noise (that might be infinite dimensional) will be described. The conditions (the HJM type drift conditions) under which the processes of discounted prices of defaultable bond with different kind of recovery are local martingales will be given. The case of rating migrations will be considered. The pricing of credit derivatives will be also described. The talk will be based on [1].

References

- [1] Jakubowski J., Niewęglowski M. *Defaultable bonds with infinite number of Lévy factors*, preprint.