Interest Rate Scenarios

Fixing of future customer interest rates can be simulated for variable-rate products. In this case, market interest rates are simulated followed by the resulting customer interest rate. Any number of set dates with relative or absolute interest rate shifts can be defined for interest rate scenarios. Linear interpolation is used to fill any gaps in intermediate values. The yield curve to be used is determined by business criteria such as deal type, currency, source of market data (rate source). Various yield curves (multi-curve valuation) can be used for one currency.
The expected interest cash flows for the deals are re-calculated for each interest rate scenario. The corresponding changes to the capital are also adjusted for annuities or capitalised interest. Different interest rate scenarios can be analysed in parallel for a portfolio with variable-rate deals.

