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Monetary economics
Monetary Systems
Money and Monetary Policy
Money
Payment Systems
Price Level
Prices
Regimes
Securities
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Argentina

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Nota di contenuto	Contents; I. Introduction; II. The Argentine GDP-Warrants; Tables; 1. Main Economic Indicators; Figures; 1. GDP Warrants - Currency Distribution; 2. Base Level GDP and GDP Growth; 2. GPD-Linked Unit: Outstanding Value, Units of Currency and Payments; III. Market Response; IV. Theoretical Value; 3. GDP Warrants - Market Price; A. Discount Rate; B. GDP; C. Inflation and the Exchange Rate; V. Main Baseline Results for the US GDP Warrant; 3. Baseline Assumptions; 4. US GDP Warrant Theoretical Values Using Random Sampling from 1981-2007 Residuals; A. Main Factors Behind Valuation Changes 5. US GDP Warrant Premiums Using Random Sampling from 1980-2007 ResidualsB. Comparisons with Investment Bank Valuations; 6. Factors Explaining Price Changes; 7. US GDP Warrant Theoretical Value Under Average Investment Bank Assumptions and Market Prices; 8. US GDP Warrant Premiums Using Average Investment Bank Assumptions; 9. US GDP Warrant Residual Premium Under Different Scenarios; VI. Other Valuation Exercises; A. Theoretical Values for the Arg GDP Warrant; 10. Arg GDP Warrant Using Random Sampling from 1981-2007 Residuals; B. Theoretical Values for the Euro GDP Warrant C. The Effect of Exchange Rates and Inflation11. Arg GDP Warrant Premiums Using Random Sampling from 1981-2007 Residuals; 12. Euro GDP Warrant Premiums Using Random Sampling from 1981-2007 Residuals; 13. Arg GDP Warrant Theoretical Values Robustness With Respect to Inflation; D. The Effect of Growth; 4. Sensitivity on 2007/2008 Baseline Growth +/- 1.5%; 5. Sensitivity on Convergence Year; E. The Effect of Uncertainty; F. Expected Value for the Remaining Maturity; 14a. Expected Cash Flows; 14b. Distribution of Expected Effective Maturity 15 Expected Theoretical Values for the Warrants Over TimeVII. Conclusions; Appendices; 1. Investors' Survey; 2. Discounting Cash Flows; References
Sommario/riassunto	This paper examines the Argentine experience with GDP-indexed warrants in order to gauge the existence of a novelty premium on new financial instruments. It develops a Monte Carlo pricing exercise to calculate the expected net present value of payments, on the basis of various forecast assumptions. The results show that the residual

premium paid by these warrants over standard bonds declined significantly by about 600 basis points between December 2005 and July 2007. This suggests that financial innovation may be associated with premia, which decay reasonably fast.
