



## **Valuation of Inflation-Adjusted Floating Range Notes**

**Jui-Jane Chang\***

*Associate Professor of Finance; Department of Financial Engineering and Actuarial Mathematics,  
Soochow University, Taiwan*

*Accepted June 2021*

---

### **ABSTRACT**

Jarrow and Yildirim's (2003) model is adopted to derive pricing formulas for inflation-adjusted floating range notes. An inflation-adjusted floating range note has a similar structure of periodic interest payments as a regular floating range note, except that the principal would be adjusted with the change of an inflation index. This financial instrument provides investors with interest rate payments without inflation risks, maintaining the purchasing power of investment values when inflation is on the rise in the foreseeable future.

©2021 IRABF All rights reserved.

---

*Keywords:* Jarrow and Yildirim Model, Inflation-Linked Derivatives, Floating Range Notes

---

---

\* Corresponding author. No. 56, Sec. 1, Kuei-Yang St., Taipei 10048, Taiwan (R.O.C.); Tel: 886-2-2311-1531; Fax: 886-2-2381-2510; E-mail: rayjanechang@gmail.com