



Our topics:

- 26th MathFinance Conference - Online-tickets still available
- Publications
- Trainings, Talks, Podcasts
- FX-Column

Newsletter - MathFinance AG

September 2026



Invitation to the 26th MathFinance Conference Europe's leading quant & derivatives event

Why attend?

Because you'll gain access to the most important developments in quantitative asset management, structured products, pricing and risk management – straight from the industry's leading minds.

Programme Highlights

- Vladimir Lucic, Quant of the Year, Marex
Arbitrage-Free Volatility in Delta Space: Abel ODEs and Surface Interpolation
- Hans Bühler & Blanka Horvath, Oxford
Simulating Smooth Arbitrage-Free Option Surfaces
- Milind Sharma, Quantz Capital
The Quantamental Revolution
- Thorsten Schmidt
Less Guarantee, More Pension? Opportunities & Risks of the Pension Reform
- Jeremy Carvell, 360T
The Future of FX Trading

Perfect for global teams

We offer team tickets and a Webex stream so that teams from various locations can follow the sessions together – regardless of their institution's place of establishment or country of origin.

Find out more & register now

2. PUBLICATIONS

Uwe Wystup's FX Column *How to Start a Stochastic Volatility Process*

Article together with Andreas Weber in Wilmott Magazine, September Issue is available for subscribers!

WILMOTT Magazine: Sept. 2026 issue - Wilmott

3. TRAININGS, TALKS, PODCASTS

DUBAI

Prof. Wystup offers a Masterclass on FX structured products preceding the conference on **18 November 2026** in Dubai. He will also participate on the panel Markets in Supporting GCC Economic Growth.

6th GCC FMT Conference | GCC Financial Markets & Treasury

4. FX COLUMN

How to Start a Stochastic Volatility Process

Uwe Wystup and Andreas Weber, MathFinance AG, Frankfurt am Main

Introduction

The standard approach to using a stochastic volatility (SV) model for valuation of a derivative is to assume one deterministic level of volatility at time zero and

define how volatility evolves over time as a random process. If this process is continuous, after a short time the stochastic volatility will still be quite concentrated around the initial level. Consequently, the generated implied volatility for very short expiries is still quite flat. As the example of mixture log-normal models show, at least two different levels of volatility are needed to generate convexity of the implied volatility smile (D. Brigo and Rapisarda 2002). To fit also more pronounced short tenor convexity, either a random start of the volatility process or high levels of mean reversion speed and volatility of volatility (generating a more jump-like process) have been proposed. (See Jacquier and Shi (2016) and further references therein for the first approach and Mechkov (2015a) for the second.)

We illustrate these approaches in the context of calibrating time-dependent SV parameters. We then discuss the fitting to the implied volatility surface using a stochastic-local volatility (SLV) processes. Finally, we look at the impact on the mixing factor when mixing stochastic and local volatility models, a popular approach in the FX asset class.

[View complete article](#)

WE WANT TO



HEAR FROM YOU

Do you have suggestions, questions or comments? Then contact us at:

info@mathfinance.com

We look forward to your feedback! You are welcome to forward our newsletter to colleagues, partners and other interested parties.

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Mathfinance AG

Kaiserstraße 50, 60329, Frankfurt am Main

info@mathfinance.com

www.mathfinance.com

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