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## Pricing Convertible Bonds

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**Highlights:**

- Convertible bonds are an important segment of the corporate bond market.
- Complex option features compromise pricing using standard valuation models.
- A sample of pure U.S. convertible bonds devoid of complex optionality is used.
- Underpricing is affected by the underlying asset volatility and liquidity.
- Longer term, lower rated and more debt-like convertible bonds are more underpriced.
- Mispricing is temporal rather than systematic in nature.
- The Global Financial Crisis (GFC) is an episode when there was deep convertible bond discounting.

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