Option markets : implied information, equity process and risk management

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Option Markets: Implied Information, Equity Prices and Risk Management

Gildas Yannick Blanchard
11th February, 2015 Maastricht

1. In cross-sectional option pricing, a volatility parameter is estimated with varying precision depending on the data used for the estimation as well as the market conditions. Model performance should be evaluated at the cross-sectional level (Chapter 2).

2. Rich volatility model specifications from the time-series literature cannot be appropriately estimated with cross-sectional option data information because of the characteristic flat loss function surface (Chapter 2).

3. The choice of a dataset (filter) can be as important as the choice of a model and the choice of a loss function (Chapter 3) for predicting option prices.

4. Option prices allow you to look into the future through the average investor lens. The complexity is to distinguish what part of the picture is caused by this investor's risk preferences and what part of the picture is caused by the actual expectation about the future (Chapter 4 and 5).

5. Option implied information help us to indicate the states of the world for investors. Option implied information is a priced factor in the expected returns of the cross-section of stocks (Chapter 4).

6. An unexpected increase of the price of the equity index, the oil and the gold volatility risk is contemporaneously accompanied by falling stock prices. However, the S&P volatility risk premium is the only priced risk factor in the entire cross section of expected returns (Chapter 4).

7. Option implied Value-at-Risk corrected for the variance risk premium cannot outperform standard time-series model based Value-at-Risk (Chapter 5).

8. On average, as a researcher, your best chance to reach the world is through teaching and education.

9. As a risk manager, I live in the 99% VaR. Sometimes, on sunny weekends or on Christmas evening, I live in the 95% VaR.

10. The null hypothesis of the existence of Gildas Yannick Blanchard is rejected at the 95% confidence level, and also at the 99% confidence level and even at the 99,99999% confidence level.

11. Public debates surrounding finance, financial markets and financial products are too often used as political leverages. Only education about those topics to the broad population can change the situation.