

Date of the event:

On Thursday, 8th December, 2011
From 01:00 PM to 2:00 PM

Location:

Luxembourg School of Finance
University of Luxembourg
4 Rue Albert Borschette
2nd Floor
Modigliani Miller Auditorium (E02-003)
L-1246 Luxembourg

Registrations:

- Free seminar (with lunch included)
- Registrations by email before December 5th, 2011
- At the following address : lsf-events@uni.lu

Information:

Ms Martine Zenner
Tel : +352 46 66 44 6335

<http://www.lsf.lu/eng/Research/Seminars-and-Workshops>



The LSF is pleased to invite you to the following
lunch seminar:

The Puzzle of Index Option Returns

By Professor Jens Jackwerth
University of Konstanz



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The Puzzle of Index Option Returns

The Luxembourg School of Finance

is pleased to invite you to the

LSF Seminar

We document that the leverage-adjusted returns on S&P 500 index call and put portfolios are decreasing in their strike-to-price ratio over 1986-2009, contrary to the prediction of the Black-Scholes-Merton model. We test a large number of plausible factor models. Consistent with the picture that crisis-related factors operate across the equities and index options markets, factors which capture jumps in the market index, jumps in market volatility, and changes in market liquidity work well in explaining the cross-section of index option returns, even when we impose the restriction that the premia are estimated from the universe of equities. Furthermore, the jump and volatility jump factors reduce the pricing errors of the 25 Fama-French portfolios by more than size and almost as much as value.

