

**NEW:** We have upgraded our email alerts. You can sign up using the 'Email alerts' panel available on most pages, or in your Oxford Academic personal account, where you can also manage any existing alerts.

JOURNAL ARTICLE

# Demand-Based Option Pricing

Get access >

, ,

*The Review of Financial Studies*, Volume 22, Issue 10, October 2009, Pages 4259–4299, <https://doi.org/10.1093/rfs/hhp005>

**Published:** 25 February 2009

## Abstract

We model demand-pressure effects on option prices. The model shows that demand pressure in one option contract increases its price by an amount proportional to the variance of the unhedgeable part of the option. Similarly, the demand pressure increases the price of any other option by an amount proportional to the covariance of the unhedgeable parts of the two options. Empirically, we identify aggregate positions of dealers and end-users using a unique dataset, and show that demand-pressure effects make a contribution to well-known option-pricing puzzles. Indeed, time-series tests show that demand helps explain the overall expensiveness and skew patterns of index options, and cross-sectional tests show that demand impacts the expensiveness of single-stock options as well.

© Oxford University Press 2009

You do not currently have access to this article.


## Sign in

 [Get help with access](#)

### Personal account

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code

### Institutional access

 [Sign in through your institution](#)

[Sign in through your institution](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

- Add your ORCID iD

[Recommend to your librarian](#)

[Sign in >](#)

[Register](#)

**Institutional account  
management**

[Sign in as administrator](#)

## Purchase

---

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

## Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

Demand-Based Option Pricing - 24 Hours access

EUR €53.00

GBP £44.00

USD \$58.00

## Rental



This article is also available for rental through DeepDyve.