; 🛛

Crasnes, volatility, and the Equity Premium: Lessons from S&P 500 Options
Pedro Santa-Clara, Shu Yan
> Author and Article Information
The Review of Economics and Statistics (2010) 92 (2): 435–451.

Article history ©

Cite Permissions Share Views V

https://doi.org/10.1162/rest.2010.11549

Abstract

We use a novel pricing model to imply time series of diffusive volatility and jump intensity from S&P 500 index options. These two measures capture the ex ante risk assessed by investors. Using a simple general equilibrium model, we translate the implied measures of ex ante risk into an ex ante risk premium. The average premium that compensates the investor for the ex ante risks is 70% higher than the premium for realized volatility. The equity premium implied from option prices is shown to significantly predict subsequent stock market returns.

This content is only available as a PDF.

© 2010 The President and Fellows of Harvard College and the Massachusetts Institute of Technology

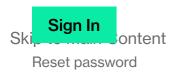
You do not currently have access to this content.

Sign in

Don't already have an account? Register

Client Account

Email address / Username		
Password		
rassworu		



Register

Sign in via your Institution

Sign in via your Institution

□ Buy This Article

Email Alerts

Article Activity Alert

Latest Issue Alert



Latest Most Read Most Cited

Cloud Computing and Firm Growth

Induced Innovation and International Environmental Agreements: Evidence from the Ozone Regime

Biometric Monitoring, Service Delivery, and Misreporting: Evidence from Healthcare in India

Inference for Dependent Data with Learned Clusters

Cited By

Web of Science (180)

Google Scholar

Skip to Main Content

Crossref (288)

Related Articles

The U.S. Money Market and the Term Auction Facility in the Financial Crisis of 2007–2009

The Review of Economics and Statistics (May,2011)

Capital Control and Monetary Policy in Asian Emerging Market Economies

Asian Economic Papers (June, 2018)

The Volatility of Long-Term Bond Returns: Persistent Interest Shocks and Time-Varying Risk Premiums

The Review of Economics and Statistics (December, 2017)

Roughing It Up: Including Jump Components in the Measurement, Modeling, and Forecasting of Return Volatility

The Review of Economics and Statistics (November, 2007)

Related Book Chapters

Introduction: A Crash Louder Than Thunder

The World Set Free

Crash

Intellivision: How a Videogame System Battled Atari and Almost Bankrupted Barbie

Money and Banking

Secrets of Economics Editors

The Review of Economics and Statistics



Newsletter sign up













MIT Press Direct

About MIT Press Direct

Books

Journals

CogNet

Information

Accessibility at MIT

MIT Press Direct VPAT

For Authors

For Customers

For Librarians

Direct to Open

Open Access

Media Inquiries

Rights and Permissions

For Advertisers

MIT Press

About the MIT Press

The MIT Press Reader

MIT Press Blog

Seasonal Catalogs

MIT Press Home

Give to the MIT Press

Contact Us

FAQ

Direct Service Desk

© 2025 The MIT Press

Terms of Use Privacy Statement Crossref Member COUNTER Member

The MIT Press colophon is registered in the U.S. Patent and Trademark Office