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Does VIX or volume improve GARCH volatility forecasts?
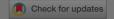
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Notes

[1] Based on S&P 500 data.

[2] Because its (VIX) level indicates how much market participants are willing to pay in terms of implied volatility to hedge stock portfolios with S&P 100 index put options or to belong by buying S&P 100 index call options. In addition, extreme values of VIX are seen as trading signals, for example, with very high levels of VIX indicating that markets are pessimistic whereas a very low VIX often leads to an increase in stock prices.

[3] Whaley   s yield to maturity

[4] Which   500 are actively   making them ea   S&P 500 index op   t 30 calendar

[5] Vol   absolute returns

[6] Latane

[7] The ma   tatistical analysis

[8] The correlation coefficient matrices are also produced as part of the initial analysis. It was found that the coefficients are small, suggesting no correlation and hence multicollinearity will not be present.

[9] This is done for VIX series only.

[10] There is one exception for the UK.

[11] We choose to use a simple AR(1) model in order to keep the model parsimonious. However, several authors have considered including asymmetric terms (Giot, 2005) or allowing for long memory effects (Konstantinidi, Skiadopoulos, and Tzagkaraki 2008; Dunis, Kellard, and Snaith 2013). While in the context of option pricing, Kanniainen, Lin, and Yang (2014) advocate the use of squared VIX.

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