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Returns to trading portfolios of FTSE 100 index options

Xiaoquan Liu

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Abstract

It has been argued that the persistent mispricing of options, especially the overpricing
of out-of ive
skewnes e
investiga put options
are over hey are,
whether weekly
return s and short
posit However,
short se --ask
spread.

Notes

[1] The BS generates two types of error, firstly the implieds may not be accurate, and secondly the vega at those implieds may not be exact.

[2] The volatilities are mean-adjusted to control for the smile effect of the option-implied volatilities against moneyness. We use the mean across all the implieds of the day.