







Q

Home ► All Journals ► Economics, Finance & Business ► Journal of Behavioral Finance ► List of Issues ▶ Volume 13, Issue 1 ▶ Behavioral Aspects of Covered Call Writi

Journal of Behavioral Finance > Volume 13, 2012 - Issue 1

493 12

Views CrossRef citations to date Altmetric

ARTICLES

Behavioral Aspects of Covered Call Writing: An Empirical Investigation

Arvid O. I. Hoffmann & E. Tobias S. Fischer

Pages 66-79 | Published online: 14 Mar 2012

https://doi.org/10.1080/15427560.2012.657314 **66** Cite this article

Sample our Behavioral Sciences journals, sign in here to start your access, latest two full volumes FREE to you for 14 days

Full Article

Figures & data

References

66 Citations

Metrics

Reprints & Permissions

Read this article

Share

Abstract

Various

explored

aversion

hedonic

that is s

over a s

identica

cove

comple pronoun

cash flo

for a rela

covered

covered

We Care About Your Privacy

We and our 912 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting I Accept enables tracking technologies to support the purposes shown under we and our partners process data to provide. Selecting Reject All or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the Show Purposes link on the bottom of the webpage . Your choices will have effect within our Website. For more details, refer to our Privacy Policy. Here

We and our partners process data to provide:

Use precise geolocation data. Actively scan device

e been I Accept and risk neory and Reject All e an investor Show Purpose II position erred despite and idence to ence for a :h equal net evidence ence for ion and

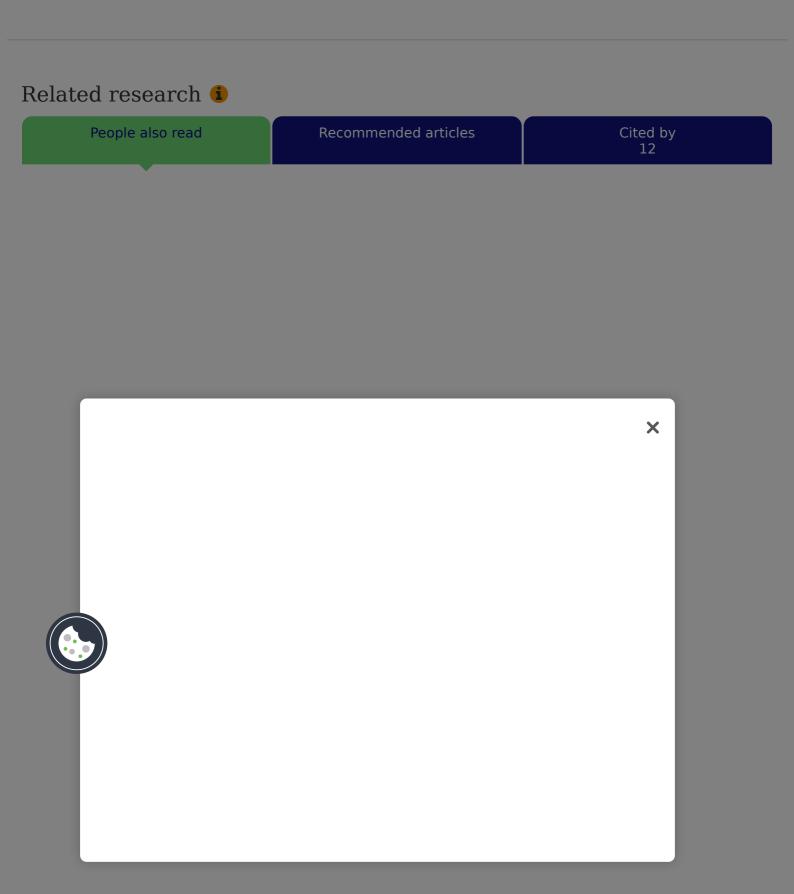
required.

Keywords:

Behavioral finance Covered call writing Risk aversion Framing **Options ACKNOWLEDGMENT** The authors would like to thank the editor, an anonymous reviewer and Hersh Shefrin for their constructive guidance and comments on earlier versions of this paper. Notes 1. The term covered call generally refers to overwrites, i.e. to short a call option on a stock that one already owns, as well as buy-writes, that is, to first buy a stock and then to short a call option on this stock (Figlewski, Silber and Subrahmanyam [1990]). 2. For more information about these products, see www.cboe.com or www.euronext.com. 3. The BMX is a hypothetical buy-write strategy that entails the simultaneous purchase of the S&P 500 and the shorting of an at-the-money S&P 500 Index call option (ww.cbo X 4. While variability, the Sort is used as a measure 5. The U vnside risk measure iven mini 6. We th e value function)]) may also drive in oncur, but an inves ular bonds 7. DRCs

with a short put option on stocks

- 8. We thank an anonymous reviewer for noting that in case probabilities are small, not 50–50 as in Shefrin and Statman [1993] and here, investors may exhibit risk seeking in the domain of gains, even with concave utility.
- 9. We thank an anonymous reviewer for noting that our graphical display of the binominal case used by Shefrin and Statman [1993] may mask the true payoff pattern of covered calls (e.g., Figure 2). Future research should employ more realistic examples that also include intermediate payoffs.



Information for Open access Authors Overview R&D professionals Open journals Editors **Open Select** Librarians **Dove Medical Press** Societies F1000Research Opportunities Help and information Reprints and e-prints Advertising solutions Newsroom Accelerated publication Corporate access solutions Books Keep up to date Register to receive personalised research and resources by email Sign me up X or & Francis Group Copyright