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Optimal hedge ratio and hedging effectiveness of stock index futures: evidence from India

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Abstract

In a free… …nal hedge ratio and… …with future contract… …dels with daily… …veness of the o… …erage variance… …5-, 10- and 20-day h… …derived from the… …rage variance… …t outperfo… …well at shorter t… …cannot be sublined because of its estimation complexities. However, from a cost of computation

point of view, one can equally consider the simple OLS strategy that performs well at the shorter time horizons.

Keywords: optimal hedge ratio | multivariate GARCH model | stock index futures

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Notes

1. Index futures' trading was started on 12 June 2000 in NSE. We have not considered the first three months of data since initial months on the futures market will have poor trading volumes and liquidity.

2. The entire results can be obtained from the authors upon request.

3. The

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