UNIVERSITY OF SYDNEY

SCHOOL OF MATHEMATICS AND STATISTICS

Statistics Seminar

Friday, 14 November, 2008. 2.00pm, Carslaw 173

Option Pricing with VG-like Models

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Abstract

In this talk I relax separately two assumptions regarding the Variance Gamma (VG) process and price options accordingly. In the case of the Difference of Gammas model a better fit to market data is achieved than that achieved by other comparable models. In the case of the long range dependent VG model, the current 'skew-correcting' approach to pricing options is found to have shortcomings, and a number of model characteristics are identified (flexible skewness, dependence of squared returns, accommodation of the leverage effect) which appear to be important in achieving a good fit to market data.

Enquiries about the Statistics Seminar should be directed to
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