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From the Samuelson Volatility Effect to a Samuelson Correlation Effect: An Analysis of Crude Oil Calendar Spread Options

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Highlights

- We introduce a new multi-factor stochastic volatility model for crude oil futures.
- We calculate the joint characteristic function of two contracts in analytic form.
- We present analytical expressions for the copula and copula density functions.
- We perform a joint calibration to vanilla and calendar spread option prices.
- We introduce the Samuelson correlation effect.

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