

Accepted Manuscript

The Risk Premium that Never Was: A Fair Value Explanation of the Volatility Spread

Richard J. McGee, Frank McGroarty

PII: S0377-2217(17)30301-6
DOI: [10.1016/j.ejor.2017.03.070](https://doi.org/10.1016/j.ejor.2017.03.070)
Reference: EOR 14354



To appear in: *European Journal of Operational Research*

Received date: 9 March 2016
Revised date: 24 March 2017
Accepted date: 28 March 2017

Please cite this article as: Richard J. McGee, Frank McGroarty, The Risk Premium that Never Was: A Fair Value Explanation of the Volatility Spread, *European Journal of Operational Research* (2017), doi: [10.1016/j.ejor.2017.03.070](https://doi.org/10.1016/j.ejor.2017.03.070)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Highlights

- We use a new framework to examine the economic importance of the volatility spread.
- Tail events incur high costs in volatility arbitrage.
- Adding the volatility spread reduces the impact of tail events.
- Removing the volatility spread yields no long term return premium.

ACCEPTED MANUSCRIPT

Download English Version:

<https://daneshyari.com/en/article/4959727>

Download Persian Version:

<https://daneshyari.com/article/4959727>

[Daneshyari.com](https://daneshyari.com)