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An investigation of model risk in a market with jumps and stochastic volatility

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**Highlights**

- We investigate the model risk of variance swaps and forward-start options.
- We specify a rigorous framework, based on a set of 21 models.
- For some models in the considered set, we provide new closed-form expressions.
- We provide evidence that the model risk of variance swaps is around 100 basis points.
- We find that variance swaps can be used as calibration instruments.

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