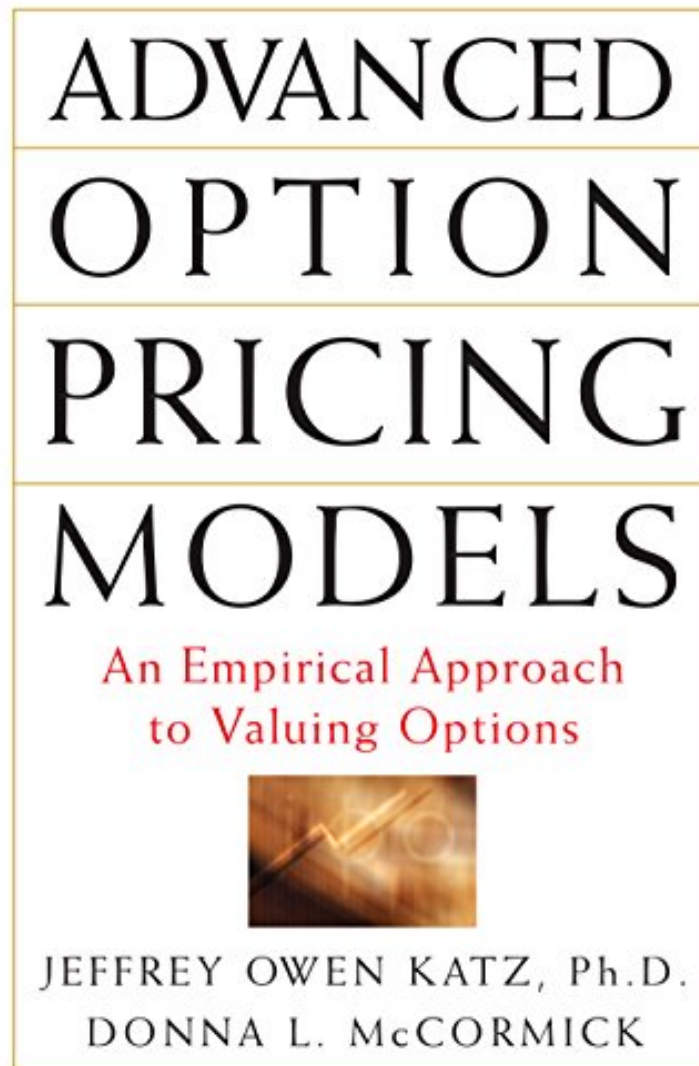


Advanced Option Pricing Models

Jeffrey Owen Katz, Donna McCormick
DOC | *audiobook | ebooks | Download PDF | ePub



 Download

 Read Online

#2909753 in eBooks 2005-03-21 2005-03-21 File Name: B001E662NI | File size: 39.Mb

Jeffrey Owen Katz, Donna McCormick : Advanced Option Pricing Models before purchasing it in order to gauge whether or not it would be worth my time, and all praised Advanced Option Pricing Models:

14 of 29 people found the following review helpful. Option Analysis for Trading Systems By Michael L. Barna Katz's book on Advanced Options Pricing offers traders additional insight into limitations and errors found in traditional pricing models. For those of us that write mechanical options trading systems, particularly combination models, Jeff's book is a must read. If you are an options price researcher looking for in depth advanced pricing model discovery, analysis and mathematics, this book is probably not for you. However, if you are looking at ways to improve your existing models thus converging the error between empirically derived options system equity curves and those equity

curves derived from options models, you should read this book. As most traders know, efficient entry and exit points in the market often occur during periods when pricing models break down, so the more you can learn about options behavior during this transient period, the better your overall trading system will be.

Advanced Option Pricing Models details specific conditions under which current option pricing models fail to provide accurate price estimates and then shows option traders how to construct improved models for better pricing in a wider range of market conditions. Model-building steps cover options pricing under conditional or marginal distributions, using polynomial approximations and "curve fitting," and compensating for mean reversion. The authors also develop effective prototype models that can be put to immediate use, with real-time examples of the models in action.

From the Back Cover Innovative modeling techniques that overcome fundamental flaws in Black-Scholes and other option pricing models "An intriguing, in-depth look at what really constitutes option pricing theory. Plus, some interesting thoughts on projecting and assessing volatility. A must read for those who are looking for more advanced option modeling techniques." --Lawrence G. McMillan, author of Options as a Strategic Investment and McMillan on Options "Refreshingly grounded in empirical data and a spirit of numerical experimentation, this book also succeeds at explaining the arcane mathematical concepts of options pricing in straightforward, clear language. The reader will come away not just with the accepted wisdom of the field, but also with a good sense of how to test that wisdom against real data." --William H. Press, senior author of the Numerical Recipes book and software series "Katz and McCormick's rigorous data studies and their experiences as traders lead to useful solutions for option modeling. In addition, their ability to write in clear English should be studied by all financial authors." --Howard L. Simons, president, Rosewood Trading, Inc., and contributing editor, Futures magazine

Popular option pricing models, from Black-Scholes to Cox-Ross-Rubinstein, have been shown to consistently break down under certain market conditions. Advanced Option Pricing Models outlines well-researched and tested alternatives to these models. It also shows traders how to design and implement models that are consistent with the distributional quirks of the underlying markets, while providing more accurate pricing estimates under a wider range of market conditions. "In this book, we have analyzed standard option pricing models, discovered their flaws, and investigated better estimators of volatility and other model inputs. We have also explored nonstandard, rather innovative ways to achieve more accurate appraisals of option value. It is our sincere hope that this will give you the edge you need in the tough options game." --

From the Introduction Option trading is a fiercely competitive pursuit in which pricing models are essential for evaluating various strategies and estimating the payoff of each under different market scenarios. Unfortunately, standard option pricing models from Black-Scholes to Cox-Ross-Rubinstein can provide inaccurate conclusions under numerous market conditions, leading traders to arrive at erroneous pricing estimates and initiate unprofitable trades. Advanced Option Pricing Models takes an objective, scientific look at this problem, detailing specific conditions under which standard option pricing models fail to provide accurate price estimates. The book then shows how to construct nonstandard models that effectively compensate for those flaws and provide a profitable competitive edge over traders still using older models. This solidly researched book explores: Factors that influence fair value, along with mathematical concepts required when developing pricing models Moments of returns, and how differences in their levels under a variety of conditions affect both the fair value and real-market price of options Models that combine two or more variables to provide distinctly better estimations of future volatility How nonlinear models such as neural networks and polynomial regressions can be fit to data derived from actual stock and option prices, and outperform Black-Scholes on such data How to build models designed to identify and exploit gross option mispricings that can quickly appear--and, just as instantaneously, disappear A thorough understanding of the factors that influence option prices is essential for the development of an effective pricing model. Advanced Option Pricing Models analyzes standard pricing models, revealing their strengths as well as their fundamental flaws, then introduces nonstandard approaches that option analysts and traders can use to reach more consistently accurate, and profitable, appraisals of option value.

About the Author Jeffrey Owen Katz, Ph.D., is founder and president of Scientific Consultant Services, Inc. He is also a consultant and trader who applies advanced technology to modeling and trading the markets. The author of dozens of articles for Technical Analysis of Stocks and Commodities and Futures, Katz is the coauthor (with Donna L. McCormick) of The Encyclopedia of Trading Strategies and How to Start Day Trading Futures, Options, and Indices. Donna L. McCormick is vice president of Scientific Consultant Services, Inc. She has coauthored numerous works with Katz and was a contributing writer for Technical Analysis of Stocks and Commodities. Readers are invited to contact the authors at www.scientific-consultants.com.