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Nota di contenuto	Cover; Title Page; Copyright; Contents; Acknowledgments; Introduction to the Second Edition; About This Book; The Trading Process; Chapter 1 Option Pricing; The Black-Scholes-Merton Model; Modeling Assumptions; Existence of a Tradable Underlying; Absence of Dividends or Storage Costs; Ability to Short the Underlying; The Existence of a Single Constant Interest Rate; Absence of Taxes; The Underlying Can Be Traded in Any Size; It Is Costless to Trade the Underlying; Volatility Is Constant; Assumptions about the Distribution of Returns; Conclusion; Summary; Chapter 2 Volatility Measurement Defining and Measuring Volatility Definition of Volatility; Alternative Volatility Estimators; Using Higher-Frequency Data; Summary; Chapter 3 Stylized Facts about Returns and Volatility; Definition of a Stylized Fact; Volatility Is Not Constant; Characteristics of the Return

Distribution; Volume and Volatility; Distribution of Volatility; Summary; Chapter 4 Volatility Forecasting; Absence of Transaction Costs; Perfect Information Flow; Agreement about the Price Implications of Information; Maximum Likelihood Estimation; Volatility Forecasting Using Fundamental Information

The Variance PremiumSummary; Chapter 5 Implied Volatility Dynamics; Volatility Level Dynamics; The Smile and the Underlying; Sticky Strike; Sticky Delta; Smile Dynamics; Term Structure Dynamics; Summary; Chapter 6 Hedging; Ad Hoc Hedging Methods; Hedging at Regular Intervals; Hedging to a Delta Band; Hedging Based on Underlying Price Changes; Utility-Based Methods; The Asymptotic Solution of Whalley and Wilmott; The Double Asymptotic Method of Zakamouline; Estimation of Transaction Costs; Aggregation of Options on Different Underlyings; Summary

Chapter 7 Distribution of Hedged Option PositionsDiscrete Hedging and Path Dependency; Volatility Dependency; Summary; Chapter 8 Money Management; Ad Hoc Sizing Schemes; The Kelly Criterion; Time for Kelly to Dominate; Effect of Parameter Mis-Estimation; What is Bankroll; Alternatives to Kelly; Summary; Chapter 9 Trade Evaluation; General Planning Procedures; Risk-Adjusted Performance Measures; The Sharpe Ratio; Alternatives to the Sharpe Ratio; Conclusions; Setting Goals; Persistence of Performance; Relative Persistence; Absolute Persistence; Higher Level Evaluation; Summary

Chapter 10 PsychologySelf-Attribution Bias; Overconfidence; The Availability Heuristic; Short-Term Thinking; Loss Aversion; Conservatism and Representativeness; Confirmation Bias; Hindsight Bias; Anchoring and Adjustment; The Narrative Fallacy; Prospect Theory; Summary; Chapter 11 Generating Returns through Volatility; The Variance Premium; Correlation Premium; Skewness Premium; Reasons for the Variance Premium; Summary; Chapter 12 The VIX; The VIX Index; VIX Futures; VIX Basis as a Predictor of the Futures; Volatility ETNs; Other VIX Trades; Summary; Chapter 13 Leveraged ETFs Leveraged ETFs as a Trade-Sizing Problem

Sommario/riassunto

Popular guide to options pricing and position sizing for quant traders In this second edition of this bestselling book, Sinclair offers a quantitative model for measuring volatility in order to gain an edge in everyday option trading endeavors. With an accessible, straightforward approach, he guides traders through the basics of option pricing, volatility measurement, hedging, money management, and trade evaluation. This new edition includes new chapters on the dynamics of realized and implied volatilities, trading the variance premium and using options to trade special situations in
