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Nota di contenuto	Intro -- Contents -- I. Introduction -- II. The Problem -- III. Solution -- IV. What can Equity Options Say About Default? -- V. Empirical Implementation -- VI. Results -- VII. Listen to Option -iPoD. The Collapse of Bear Stearns -- VIII. Caveats -- IX. Zero-Coupon Option-iPoD -- X. Conclusions -- Tables -- 1. Option Contracts Cycles -- 2. Citigroup, Strikes, Volume and Weights -- 3. Citigroup: Summary of Results -- 4. Citigropu: Leverage-at-Risk -- Figures -- 1. Citigroup, February 12, 2008: Option -iPoD and the Probability Density Function -- 2. Citigroup: Term-Structure of Option -iPoD on February 12, 2008 -- 3. Citigroup: Expected Balance Sheet Developments on February 12, 2008 -- 4. Moody's KMV Expected Default Frequency in One Year -- 5. Listen to Option -iPoD. The Collapse of Bear Stearns -- 6. Bear Stearns, March 14, 2008: Option -iPoD and the Probability Density Function -- Appendices -- 1. Results From The Ten Largest U.S. Financial Institutions -- 2. Extension with Zero-Coupon Bond -- References.
Sommario/riassunto	We present a framework to derive the probability of default implied by the price of equity options. The framework does not require any strong statistical assumption, and provide results that are informative on the expected developments of balance sheet variables, such as assets, equity and leverage, and on the Greek letters (delta, gamma and vega). We show how to extend the framework by using information from the price of a zero-coupon bond and CDS-spreads. In the episode of the collapse of Bear Stearns, option-iPoD was able to early signal market sentiment.