Title: **MISPRICED INDEX OPTION PORTFOLIOS**

Speaker: GEORGE CONSTANTINIDES**,** University of Chicago

Importance: Why this matters:

Are there portfolios of put and call index options whose results would outperform a buy-and-hold index ETF? Why would such a mispricing persist?

Investigation: "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

Speaker analyzed options prices of 28, 14 and 7 days to maturity for the period from 1990 to 2013.

Innovation: Are there new techniques of interest in the data or approach to the problem?

The authors constructed a portfolio of selling puts and calls to create a portfolio that shifts the probability mass to the left part of the support. The construction of the portfolio relied on an unspecified linear programming technique.

Insights: 1-2-3, what are the three most important things the speaker offered?

1. The best results occurred with portfolios of mostly – but not exclusively – writing out-of-the-money calls.
2. Short term options are more productive than longer term options.
3. Possible reasons for this anomaly include credit constraints (especially for intermediaries who are on the other side of the trade), and funding liquidity. These constraints likely hinder the real-world application of this technique.

Audience rating: