Measuring the Information Content of VIX Volatility

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Introduction

Motivation: Why this project? Why does Volatility matter?

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- Volatility is not the same as risk, but a closely related concept
  - crucial input to risk measures, such as VaR
  - used for pricing of financial instruments, such as derivatives
  - used for risk-return trade-off and therefore management decisions

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- What is "normal" volatility
  - annual volatility.. monthly.. daily..

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- Joint hypothesis problem
  - Market efficiency per se is not testable

Data

Volatility of S & P 500

- sample period: ..
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Method

- Regression of realized volatility on historic volatility

Results so far

Possible Problems coming up

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Sources