FIN 567 Group project

Part I Methodology

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1. Introduction

Dispersion trading is basically a strategy that involving selling the options on an index against buying the options on a basket of individual stock components of the index. There are two dispersion trades we are discussing in this report: vega-neutral dispersion trade and theta-neutral dispersion trade.

1. Methodology
   1. To construct the portfolio
   2. We buy and sell each component option each month, starting from the third Friday of December 2012 and ending on the Friday of December 2017.
   3. We calculate P&L daily