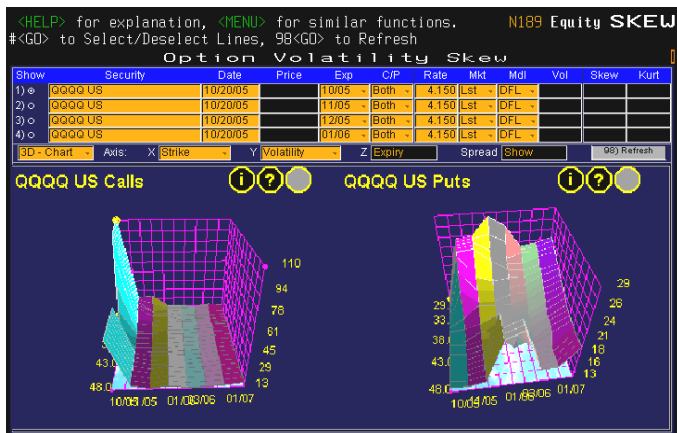


VOLATILITY TOOLKIT

The growth in equity derivatives trading and creation of pure volatility products has created demand for better tools to evaluate historical and expected volatility. Volatility analysis on Bloomberg has improved in every facet: using refined dividend estimates, choice of models, trade matched prices, and historical term structure data. The new volatility content can be accessed in your Bloomberg screens via SKEW <GO>, VCMP <GO>, OMON<GO> and in Launchpad (BLP <GO>) via the Volatility Skew, Chart, and Option Monitor components.



SKEW <GO> & Launchpad Volatility Skew

The 2D chart provides a means of comparing the slope and spread of volatility between multiple expirations and multiple securities. The 3D Chart measures the volatility or risk parameters relative to time and strike simultaneously and measure interpolated values across the surface. Using 'Last' as the market price will calculate volatility matching the last trade price of the option and the trade price of the underlying at the time of the last option trade.

The model selection allows you to create and compare values derived from the default model (Black Scholes) and the Variance Gamma model. The Variance Gamma model can be used to generate price and volatility estimates on thinly traded options and as a measure of richness and cheapness versus the markets traditional estimation of volatility.



VCMP<GO> & Launchpad Chart

Chart underlying prices and implied volatilities for numerous terms to maturity historically. The chart allows you to determine if volatility at different terms is trading rich or cheap relative to historic levels and features two new data sets to measure the term structure of volatility. The line dropdowns allow for the selection of thirty data items which can be changed by selecting the edit button and modifying the list of data selections.

The two new volatility data sets include: % Moneyness measuring the historical implied volatility for a given term to maturity and specified % from the at the money. The volatility data is generated using strips of out of the money calls and puts, and measures % moneyness as: $\%(X/S)$, where S is the spot and X the strike. A similar measure, Sigma, is used to measure fixed deviations from the spot price defined as $\log(X/S)/(\sigma \cdot \sqrt{T})$.

Calls						Puts					
Ticker	Strike	Bid	Ask	Last	RTIL	Ticker	Strike	Bid	Ask	Last	RTIL
01 QQQHJ0	30.00	8.30	8.50	8.20	116.26	10 QQQHJ0	30.00		.05		
02 QQQHJE	31.00	7.30	7.50	6.70	u	11 QQQHJE	31.00		.05	.05	47.66
03 QQQHJF	32.00	6.30	6.50	6.20	u	12 QQQHJF	32.00		.05	.05	37.35
04 QQQHJG	33.00	5.30	5.50	5.00	u	13 QQQHJG	33.00		.05	.05	31.56
05 QQQHJH	34.00	4.30	4.50	4.70	109.62	14 QQQHJH	34.00		.05	.05	27.17

OMON<GO> & Launchpad Options Monitor

The options monitor now contains trade matched volatility. Selecting the volatility and greek fields using last trade (example: RTIL) will result in a volatility calculation matching the last trade of the option and the price of the underlying at the time of the option trade.

