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Option-Implied Adjusted Volatility Using Modified Generalised Leland Models: An Empirical Study on Dow Jones Industrial Average Index Options

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Abstract

This study investigates the relative option pricing performance of Modified Generalised Leland models . We employ non-parametric mechanism within the conventional option-pricing framework based on the Leland models to assure realistic pricing of options . This study extends the models by developing Modified Generalised Leland models based on the implied adjusted volatility introduced in Leland models . The proposed models are developed to incorporate the transaction costs rate in the integrated model-free framework. Relevant sample data extracted from the Dow Jones Industrial Average index options is tested in this study . We find that the option-implied adjusted volatility , which is priced using the Modified Generalised Leland models , delivers a

Author keywords

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