Discussion of “Pricing Performance of Ad-Hoc Black-Scholes Models vis-à-vis TSRV based Black-Scholes Model: Evidences from Indian Options Market”

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Comments and Suggestions

- The title is kind of too long.

- The main message in the paper can go without any saying: BS using implied volatility is of course better than BS without using.

- In terms of academic contributions: In academic, people care why we observe the implied volatility smile and skewness. The authors should focus on relaxing the assumptions made by BS about the underlying, then try to derive option pricing models, e.g., adding stochastic volatility, jumps, etc. And see whether the resulting models can help explain the volatility smile or skewness observed.
In terms of practical contributions: pricing for Vanilla Option is done in the industry. Murex pricing system, BGG volatility surface input,... everything is standardized. Volatility surface modelling is much sophisticated already. Little improvement can be done. Exploring the economic significance and implication of the pricing errors might be an interesting new direction to pursue.