



The University of Chicago
Department of Statistics

SECOND YEAR PHD PRESENTATION

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**Modeling LETFs and Pricing Options on LETFs by
Transform Method**

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110 Eckhart Hall, 5734 S. University Avenue

ABSTRACT

In the paper by Avallaneda and Zhang (2009), they proposed a model linking the value of an LETF with its underlying ETF. They went on to study options on LETFs, but they didn't give a general framework to price options on LETFs. Here, I apply transform methods to price options on LETFs. As long as we have explicit formula for the joint Fourier-Laplace transform of the underlying ETF process, we can provide exact formulas for LETF options.

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