

# [Clissold industries](https://assignbuster.com/clissold-industries/)

[](https://assignbuster.com/)[Finance](https://assignbuster.com/essay-subjects/finance/)

Clissold Industries ID Clissold Industries Calculating the implied standard deviation requires the use of the followingformula: C/0. 389\*S\*t 0. 5 Where C is the call price, S is the stock price, (spot price), and the t represents the life that the option has. Therefore, basing on this, the implied standard deviation will be 68/0. 389\*72. 5\*0. 5 0. 5 equaling to 3. 41How much different volatility would you expect to see for the stock? Among the vitalities expected of a stock the implied ones mean much to the finances of a company. The number of volatilities includes the implied volatility that plays a role in the measuring the relative value, implied volatility that comes as a price and the non-constant implied volatility. Implied volatility as per relative value refers to the use of volatility as a measure of a product’s relative value on the market compared to its price. The assumption here is that the prices of most of these stocks depends largely on the underlying assets that the company has rather than the actual price of the stock. As such, the volatility of the price of such stock changes with changes in the underlying asset base of the company. Implied volatility in relation to the price looks at the price as a measure of the volatility of the stock rather than the future moves of the stock. The option is more useful as a better option in communicating options of prices in relation to the currency. The prices vary as per supply and demand forces and rest between the buyer and the seller. Non-constant implied volatility looks at the different strike values and the time at which the stock expires. Through these, implied volatility is obtainable, thereby enabling investors to establish the true value of their investments, especially through the purchase of a particular stock from a given company. Through this, a stock appears to have more fluctuating factors rather than constant factors, thus guiding the investor on whether to make the big decision to either buy the stock or not. These based on the stocks provided, the volatility expected would range from a certain set of stock factors. What is the VIX and what does it represent? The VIX refers to the Volatility Index that helps in identifying market expectations as in relation to the near-term volatility as per Stock Index Price options. The tool is useful for the checking and measurement of investment options and the analysis of the volatility of the market. VIX features and VIX options guide in handling volatility aspects of a stock. The VIX aspect represents the volatility of the stocks in the market and it is through it that investors weigh their investment options before venturing into a stock (CBOE, n. d). What does the implied volatility of VIX option represent? Implied volatility index of VIX as normally referred to as a fear gauge in representation of the work it does in identifying the possibility of a stock in relation to the market expectations, as well as the stock volatility in a period of 30 days. Through this, the investors are in position to make a decision on the investment and purchase of the stock, hold the stock, or sell the stock to other investors. This gives them an opportunity to speculate appropriately the expected gains that they would likely make from a given investment in the stocks of a company. ReferencesChicago Board Options Exchange - The Worlds Largest Options Exchange. (n. d.). CBOE. com. Retrieved September 7, 2014, from http://www. cboe. com/micro/VIX/vixintro. aspx