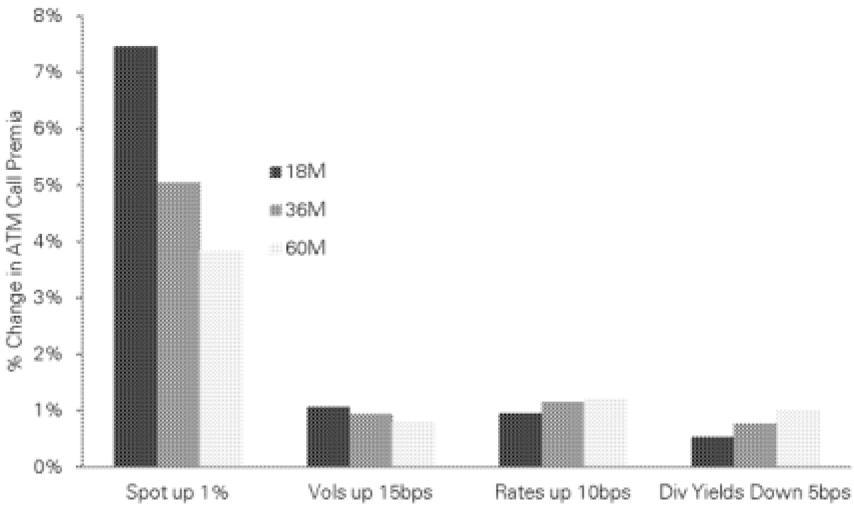
Relative magnitude of risks

We now compare the impact on current SPX call premium from an instantaneous change in spot, implied volatility, rates, and dividend yields. Delta risk remains the prominent driver of P/L. Please note that the parameters have been 'bumped' by different amounts to roughly scale the relative movement of these parameters. For instance a 1% move in spot generally sees a much smaller than 100bp change in 36M fixed-strike volatility. Also, we have bumped the parameters in a parallel fashion across the term structure, even though short-dated vols are more volatile.

Figure 33: Sensitivity of current premia for different moves in parameters



Source: Deutsche Bank