

**EFFECT OF THE STATISTICAL VOLATILITY IN THE WRITING OF COVERED CALL OPTIONS
STRATEGY**

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ABSTRACT

Writing covered call option of buy share is a strategy known by the money market agents of the whole world. It involves risks and has a crucial aspect for its success, which is choosing the best moment to do it, until the expiration of a certain stock. The aim of this work was to investigate whether the best moment for call options takes place when the statistical volatility of the returns offered by the variations of the object asset exchange rate quote reaches its highest level. In order to do so, data of the two best liquidity stocks of the Brazilian Market (PETR4 and VALE5), and the buy options referentiated in them, concerning the period from 2006 to 2011 were analyzed. The results of mock calls of buy options on the stocks, with varied prices at strike, were always analyzed at the moment of highest volatility in the period of the 20 working days immediately prior to its expiry date. The volatility was estimated by a GARCH model and the returns obtained with the strategy of covered calls were compared to those obtained by the buy and hold strategy. The results showed that the date in which the peak of the price volatility of the underlying asset, adopted as reference to indicate the best moment for the covered calls, does not guarantee that the performance of this strategy is better than the one obtained with just holding the stocks in the portfolio.

Keywords: *GARCH; Statistical Volatility; Option Covered Calls*