

University of Zurich

Master Thesis:

**An Analysis of
the Swiss Market for Exotic Equity Derivatives and its
Secondary Market for Mini-Futures as Leveraged Products**

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Abstract

In Switzerland, there is a considerably large amount of so-called “Mini-Futures” listed on the Swiss SIX Structured Products Exchange, which are part of the investment instruments known as “structured products”. Mini-Futures offer potential investors leveraged investment strategies on a large universe of different underlyings, covering most major asset classes. Based on the analysis of data publicly available on the Swiss stock exchange and using market data with regards to the underlyings, it is possible to compute the theoretical fair value of Mini-Futures during trading hours of the respective underlying. This thesis analyses 3’057 Mini-Futures with respect to their computed fair value and ask-prices as published on the SIX. The outcome of this work shows that on average, pricing discrepancies of 2.32% exist between computed fair values and published ask prices of 3’057 Mini-Futures listed on the SIX. Hence, ask prices are proved higher than computed fair values for the data set compiled for this thesis. The author considers different factors impacting the pricing discrepancy and sets up seven hypotheses to test the effects of each factor on the pricing discrepancy. All but one factor have a significant effect on the pricing discrepancies of the Mini-Futures considered. The strongest effect comes from increasing bid- / ask-spreads for the Mini-Futures considered in the data set. Conclusively, the results show the need for further research in the field of structured products in Switzerland, as transparency becomes increasingly relevant for potential investors.