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Arbitrage-free SVI volatility surfaces

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In this article, we show how to calibrate the widely-used SVI parameterization of the implied volatility surface in such a way as to guarantee the absence of static arbitrage. In particular, we exhibit a large class of arbitrage-free SVI volatility surfaces with a simple closed-form representation. We demonstrate the high quality of typical SVI fits with a numerical example using recent SPX options data.

Comments:	23 pages, 6 figures Corrected some typos Extended bibliography
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