

## Recall 11

### Consequence of Dupire's formula

1. How do you use Dupire's formula in practice?
2. What is the relation between local and implied volatility?
3. What is the log-moneyness? Why is it more convenient to work with the log-moneyness instead of the strike? What is the short maturity formula of the implied volatility and how do you get it?
4. What are the advantages and the limitations of local volatility models?

### Stochastic volatility models

1. What is a stochastic volatility model?
2. Which is the PDE that must follow an option price under a stochastic volatility model?
3. What is the Heston model? What you can say about it?
4. What is the SABR model? What you can say about it?