2017

FINC 465-01 Options and Futures Markets

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Course Objectives and Student Outcome
The purpose of this course is to provide students with an understanding of the evaluation, selection, and uses of derivatives.

Students should be able to discuss and understand with some depth:
- The options market
- Option strategies
- Option boundary conditions
- The Binomial and Black-Scholes Option Pricing Models
- The futures market
- Futures for hedging and speculation
- The carrying-cost model
- Futures options
- Pricing futures options
- The uses of derivatives in managing equity, fixed-income, and currency positions
- The markets and uses of interest rate, currency, credit default, and derivative swaps,
- Embedded options

Office Hours:
Wednesday: 2:00-3:00; Friday: 2:00-3:00

Text:

Supplemental Material
- Excel Programs, Solutions to Select End-of-the-Chapter Problems, and Bloomberg
Guides are found in the Canvas modules

- Assignments, Chapter PPTs, Solutions Manual, Excel Programs, External Links, and Bloomberg Information are found in the Canvas modules

Assignments
- Assigned End-of-the-Chapter Problems: Canvas Assignments
- Bloomberg Exercises Exercise: Canvas Assignment

TOPICS

Module 1: Option Strategies and Markets
- Chapter 1: Option Concepts and Fundamental Strategies
- Chapter 2: The Option Market
- Chapter 3: Option Strategies

Module 2: Option Pricing
- Chapter 4: Fundamental Option Pricing Relations
- Chapter 5: The Binomial Option Pricing Model
- Chapter 6: The Binomial Pricing of Options on Dividend-Paying Stocks and Stock Indices
- Chapter 7: The Binomial Pricing of Options on Currencies and Bonds
- Chapter 8: The Black-Scholes Option Pricing Model
- Chapter 9: Applications of the Option Pricing Model, The Greeks, and Exotic Options

Module 3: Futures and Futures Option Contracts
- Chapter 10: Futures and Forward Contracts
- Chapter 11: Pricing Futures and Forward Contracts
- Chapter 12: Options on Futures Contracts

Module 4: Managing Equity and Currency Position with Derivative
- Chapter 13: Managing Equity Positions with Stock Index Derivatives
- Chapter 14: Managing Foreign Currency Positions with Derivatives
- Chapter 15: Managing Fixed-Income Positions with Interest-Rate Derivatives
Chapter 16: Managing Fixed-Income Positions with OTC Derivatives

Module 5: Managing Debt Positions with Derivatives
Chapter 15: Managing Fixed-Income Positions with Interest-Rate Derivatives
Chapter 16: Managing Fixed-Income Positions with OTC Derivatives

Module 6: Swaps
Chapter 17: Interest Rate Swaps
Chapter 18: Swap Derivatives: Forward Swaps and Swaptions
Chapter 19: Swap Valuation
Chapter 20: Currency and Credit Swaps

Module 7: Embedded Options
Chapter 21: Embedded Options
Tests, Grading, and Schedule

1. Tests

1) Test 1
2) Test 2
3) Final

2. Grading

1st Test  20%
2nd Test  20%
Final:    30%
Problems 10%
Bloomberg Exercises 10%

3. Grading Scale

<table>
<thead>
<tr>
<th>Score Range</th>
<th>Grade</th>
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<tbody>
<tr>
<td>93-100</td>
<td>A</td>
</tr>
<tr>
<td>89-92</td>
<td>A-</td>
</tr>
<tr>
<td>85-88</td>
<td>B+</td>
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<td>80-84</td>
<td>B</td>
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<td>C-</td>
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<tr>
<td>0-49</td>
<td>F</td>
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- **Make-up tests**: students need to receive permission from me in advance of the test date.

- **Modifications**: The course outline, tests, schedule, and grading are subject to modifications during the semester.