

2016/12/01

Key points: (1) Options

(2) Forward Rate Agreement (FRA)

Closing date

settlement day

* Price of commodity's input factors.

* Supply - Demand situation ($t = 0$).

* Tariffs - Quotas (trade conditions).

* FX - rates

* Inflation rate (in future).

* Political circumstance

* Rating of the buyer

Obligation to procedure the underlying

	0	1
(1) Future long (cash flow)	-	$+ \tilde{S} - F(C_0, 1)$
(2) Buy the underlying ($t = 0$)	$-S_0$	$+ S_1$
(3) Take a loan for 1 year (interest rate: r)	$+S_0$	$- S_1 + rS_0$
(4) (2) to (3)	0	$+ \tilde{S} - S_0$