Financial Risk Management

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Richting	Wiskunde
Jaar	MWIS

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1. A stock currently stands at 350. The risk free rate is 0,50% per annum and the dividend yield is 4%. What should the future price for a 3-month contract be?
2. A portfolio exists of stocks and options on these stocks. It has δ,γδ,γ and vv given. 1m ATM straddle and 1Y ATM straddle are also given. What position in the underlying stock, 1m ATM straddle and 1Y ATM straddle, should I take to be δ,γδ,γ and vv neutral. Is the θθ of my portfolio positive or negative?
3. Value a European option on a CHF/USD. Would an American option exercise early?
4. How do we construct a 25 delta butterfly. Why do option traders trade actively in butterflies. Why is this used by hedgers?
5. Why isn't VaR always a useful estimate? What alternative is there. Give an example where there is a big difference between the two.
6. Value a swap for a company that defaults after 6 years. (question 20)
7. A Malaysian bank decides to create a 10 year principal protected note on a non dividend paying stock by offering the investor a zero coupon bond plus a bull spread created from calls. BankYY enters in this agreement, but wants to make 4% up front. What is the maximum ratio of the higher strike price to the lower strike price in the bull spread? (all necessary values have been given)

Categorieën:

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