

## Future contract

Futures, traded in exchanges. → special type of forwards  
other types of — forwards

can be traded OTC  
↓  
over the counter.

options → Right to buy or sell but  
no obligations unlike future/forward.

Call option → right to buy

but " → right to sell.

## 2008 financial crisis

Low interest rate

people borrowed money from banks.

Prime borrower

Sub prime borrower (Expectation that  
house price will rise)

All loans were securitized  
'packaged'

↓

MBS

↓ (Several MBS)

CDO

Moody.. (credit ratings)

crisis erupted

↓

CDS