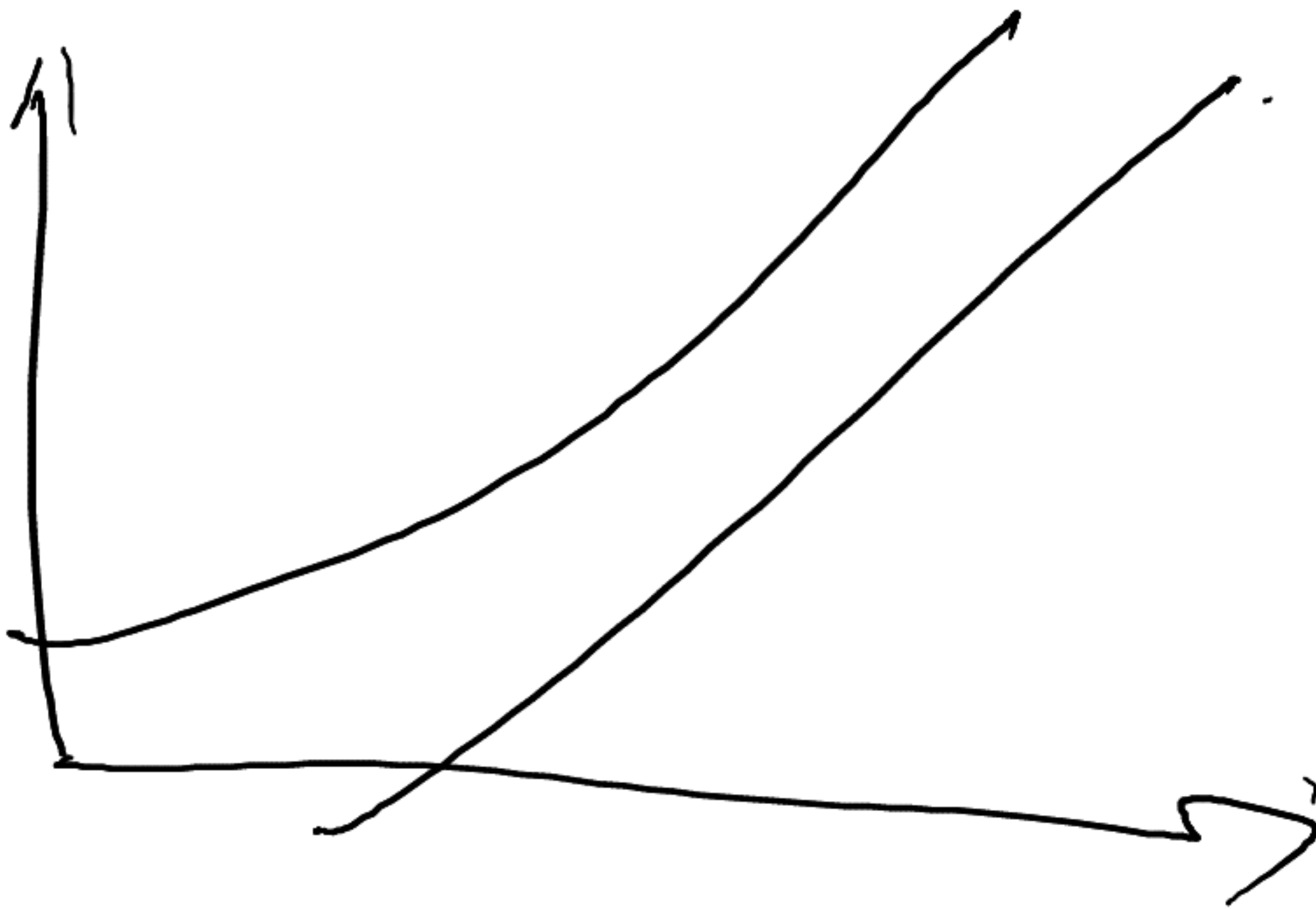


Derivatives Note 1/100.

MIT Problems.

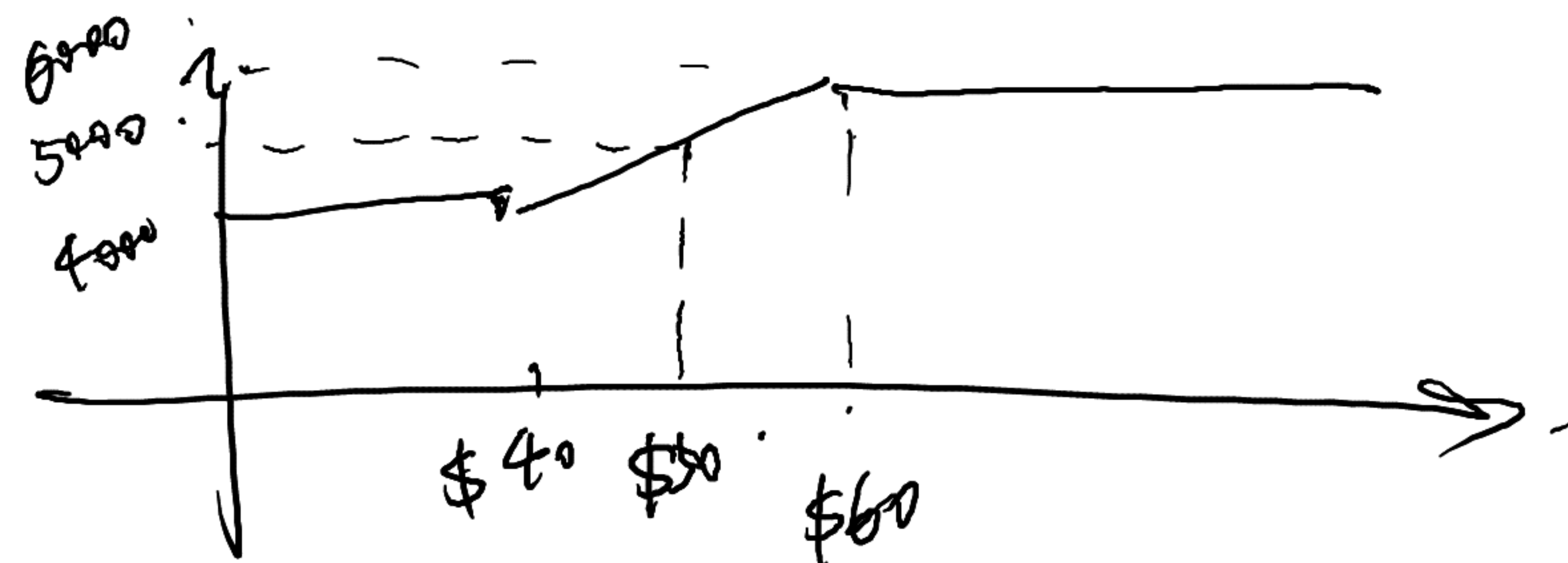


$$S - Ke^{-rT}$$

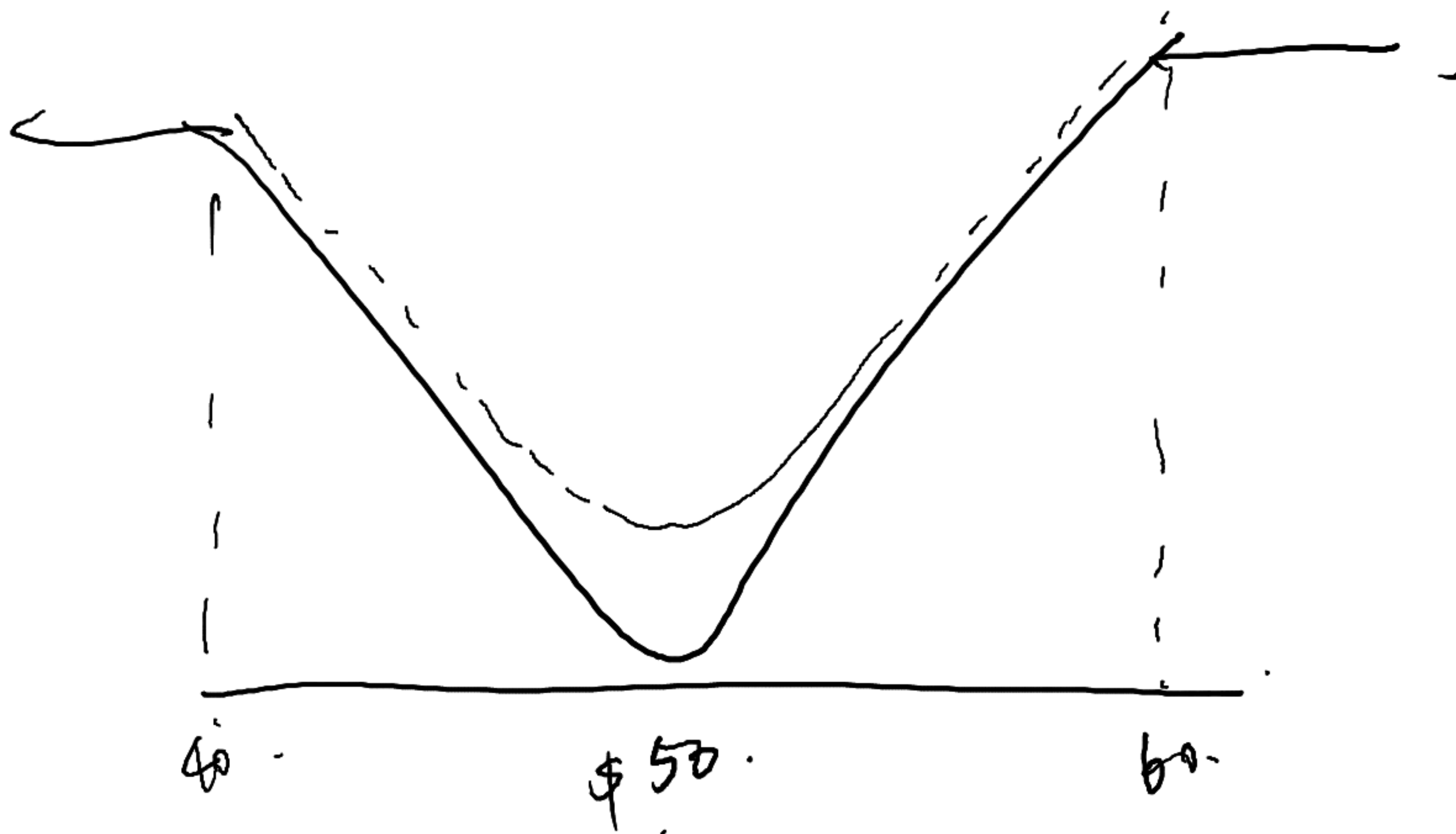
MIT Option  
Q14.

100 share for 1 option contract.

a). Buy 100 shares, buy a P @ \$40.  
S a Call @ \$60.



Q14/b) straddle.

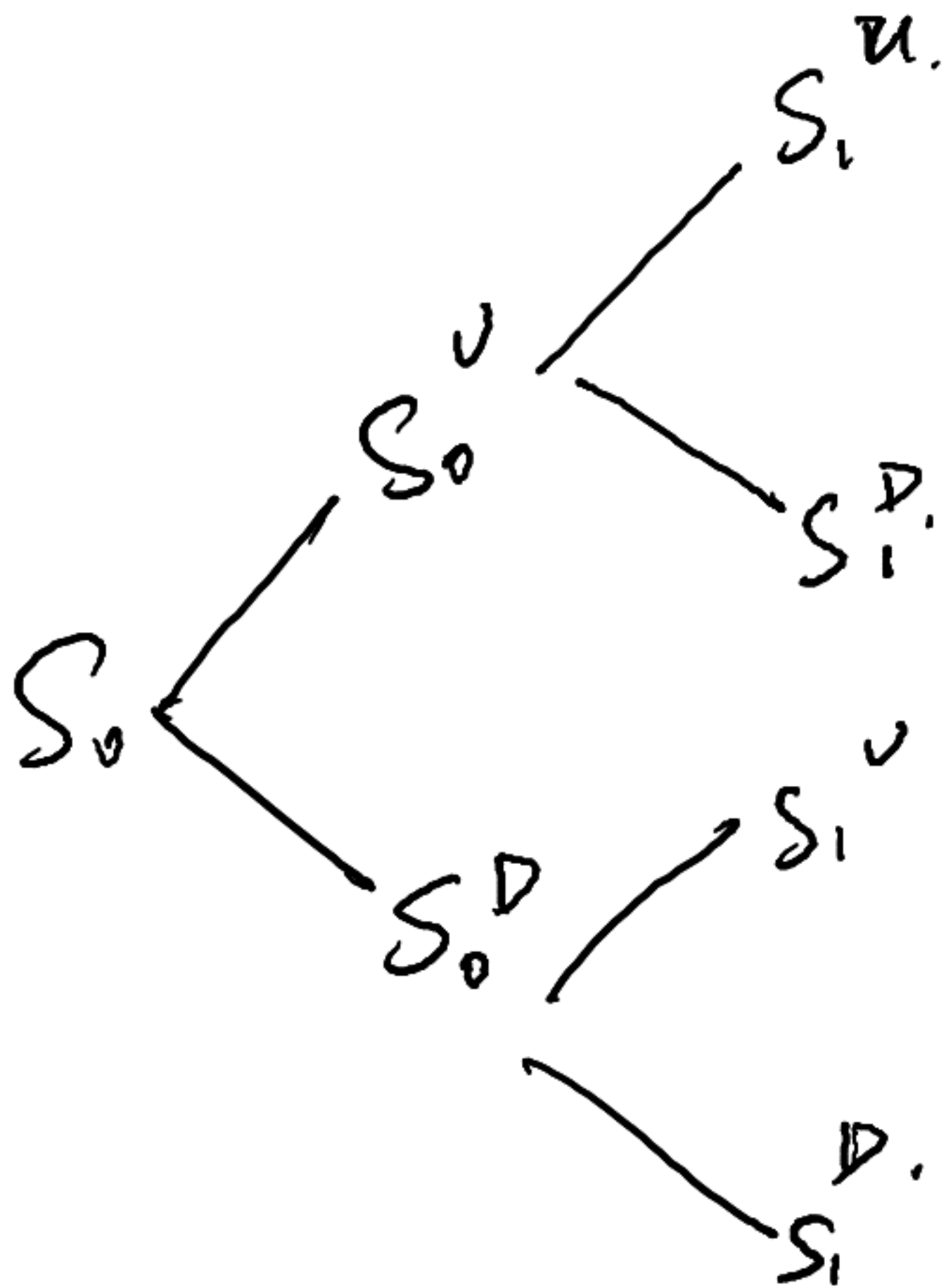


Q16.

Probability  $P(\text{up})$  &  $P(\text{down})$

$$100.50 = P^u \cdot 110 + P^d \cdot 91.91$$

Binomial  
tree.



Gamma. — the change in Delta as the stock price moves.

Vega