

Final: Hedging Strategy for ELS

(Due: Oct. 21, 2018, 10:00 PM)

You have to do all work on your own. You are not supposed to discuss with other students in class. If any dishonest act are found, you may face severe penalty.

With the ELS you chose,

1. Explain payoff structure
2. Describe risks embedded in ELS and specify risks you want to hedge
3. Construct a hedging strategy. You have to be very specific in rebalancing dates, hedging instruments against the risk you have chosen, and weights to instruments
4. Calculate hedge performance for your strategy.
5. Analyze your strategy: how your strategy worked and why your portfolio is realized as loss/profit
6. You may consider profit margin at issuing
7. You may/may not consider transaction cost

Grading will be based on

1. Validity of hedging strategy
2. Rigorous calculation of hedging performance
3. Analysis of your strategy