Chapter 1

Forward contract
Call option
put option

} 1) Structure ??
2) Long / short
3) payoff (not just formula)
(why ??)
4) profit vs payoff

Summary sheet

Exercises

a) Assig 1 : 2.4 , 2.14 payoff / profit

b) CA 6-Sep : MLCD

c) Tutorial:
12-Sep : 1) fair forward price
2) payoff vs profit
3) ELCD

Chapter 2

1) Exchange vs OTC

2) Use of derivatives

3) Cost in trading
   - Commission
   - bid / ask spread.

4) Volume , O.I.

Exercises

Assig 1 : 1.7 bid-ask spread , commission

AP 1 Volume , O.I.

CA : 13-sep Volume , O.I.

Chapter 3

a) Option trading strategies :

- hedging
- speculation → Directional perspective
  → Non-Directional "

b) Compare Similar Strategies
   - when the one better the other.

c) When does profit occur?

d) when does loss occur?

e) use of put-call parity to create the same strategy from other type of option.

f) put-call parity: Synthetic forward.

Summary sheet

Exercises

Assg 1:

3.13	Straddle
3.14	Box spread
3.15	Ratio Spread
3.16	premium ratio spread, bull / bear
3.17	asymmetric butterfly.
AP2	put - call parity to create butterfly by

use call options only

CA 18-sep: asym butterfly

Tut 19-sep: (1) Call bull vs put bull
(2) compare straddle and strangle.

Chapter 4

1) Pre-paid forward ??

2) forward vs pre-paid forward

3) $F^P_{0,T}$, $F_{0,T}$?? (relation)

4) Synthetic forward, stock, bond

payoff $= S_T - K$

5) synthetic position ← hedging
arbitrage.

(6) Futures contract (compare with forward)

- mark to market.
- settlement price.

Assg 2

5.2 Forward, Pre-paid forward

5.4 ~~annuitized~~ annualized forward premium

5.5 synthetic posit'n + hedging

5.8 synthetic posit'n + arbitrage

5.12 mark to market.

CA 20-Sep : synthetic posit'n + arbitrage

Tut 26-Sep : (1) Synthetic posit'n + arbitrage

(2) Synthetic position

Chapter 5

1) Storage cost
2) Convenience yield
} $\Rightarrow F_{0,T}$

3) Backwardation, Contango.

4) lease rate

5) Cost of carry.

Exercises

Assg 2 6.6 Discrete storage cost

AP 1 " " "

CA 27-Sep : lease rate

Tut 10-Oct : Storage cost +
Synthetic position.

Chapter 6

① $r \in [t_1, t_2]$?

② Table 7.1 ??

Exercises

Assg 2 7.3, 7.7 } ≈ Table 7.1

Tut 10-Oct Q2 ≈ Table 7.1

Chapter 7

① Long swap = Long a portfolio of forward contracts.

② Long / short

③ physical / Financial settlement.

④ Hedging of the swap
- back to back
- forward

} pros and cons

⑤ Market value of swap.

⑥ Compute swap rate.

Ex

Problems for Chapters 7 and 8

8.2 swap rate

8.10 swap rate

8.11 swap rate

CA 11- oct swap rate + market value of swap

Tut 17- oct hedging of swap.

Chapter 8

1) Put - call parity

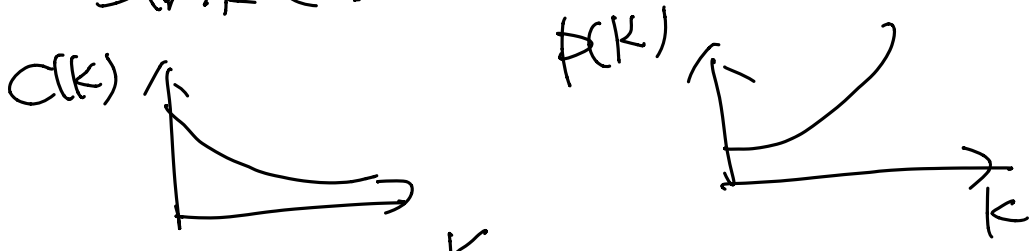
2) Generalized put - call parity.

3) Options on exchange rate.

4) upper bound & Lower bound of option price

5) Early Ex of American option.

6) Inequalities
   - Time to expiration
   - Strike.



Ex

Problems for Chapters 7 & 8

8.1	put - call parity
8.3	put - call parity + arbitrage
8.7	option on exchange rate
8.9	Ineq. + arbitrage
8.13	Early Ex of Amer. option
AP1	Ineq + arbitrage
AP2	$P(K_t, t)$ ↓ as t ↓ $\quad K_t = Ke^{rt}$
AP3	Generalized put - call parity

Tut
24-oct
1. option on exchange rate
2. Early Ex of Amer option
3. Ineq + arbitrage.