Revision (Midterm Exam)

Chapter 1

Forward
call option
put option

1) Structure
2) Long / Short
3) payoff
4) profit vs payoff

summary sheet

Exercises

1) Assig 1 : 2.4, 2.14 payoff / profit
2) CA : 4-sep : MLCD (replication)
3) Tutorial :

   10-sep : 1) fair forward price
   2) payoff vs profit
   3) ELCD

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Chapter 2

1) Exchange VS OTC
2) Use of derivatives
3) Cost in trading
   - Commission
   - bid / ask
4) Volume, O.I.

Exercises

Assign 1 : API, Volume, O.I.

CA : 11-Sep Volume, O.I.

Tut : 17-Sep O.I, bid-ask spread, Commission

Chapter 3

1) option Trading strategies
   - hedging
   - Speculation
     - Directional perspective
     - non-directional.

2) Compare similar strategies

- which one is better than the other

3) put-call parity

4) synthetic forward from the put-call parity

<u>EY</u>

Assig 1

3.13 straddle

3.14 Box Spread

3.15 Ratio spread

3.16 bull / bear / butterfly spr

3.17 asymmetric. butterfly.

AP2 : put-call parity

CA : 18-sep : asym butterfly

Test 17-sep Q2, Q3

Tut : 24-Sep Q1, call bull vs put bull

Q2 zero-cost collar

Q3 straddle vs strangle

Chapter 4

1) pre-paid forward ??

2) pre-paid forward $\longrightarrow$ forward.

$F^{P}_{0,T}$, $F_{0,T}$??

3) synthetic forward ?? $S_T - K$

4) synthetic position — hedging / arbitrage

5) Futures contract (

- mark to market
- settlement method

Ex
Assig 2

5.2 Forward vs Pre-forward

5.4 annualized forward premium

5.5 synthetic position + hedging

5.8 " " + arbitrage

5.12 Mark to Market

CA 25-sep } synthetic position + arbitrage
Tut 8-oct

Chapter 5

1) storage cost (negative of dividend)

2) convenience yield (dividend)

3) Backwardation vs contango

4) lease rate

5) cost of carry.

Ex
Assg 2 6.b storage cost

AP1 forward price.
AP2

CA 8-oct } storage cost +
Tut 15-oct lease cost

Chapter 6

- Table 7.1

Ex

Assig 2 7.3
7.7 } Table 7.1

Tut 15 - Oct

Chapter 7

(1) swap vs forward contract

(2) What is Long / short ?

(3) What is fixed - rate payer / fixed rate - reciever. ?

4) physical / Financial settlement.

5) Hedging of swap { back to back / use forward

6) Market value of swap.

Ex.

Problems for chapter 7 & 8

8.2
8.10 } swap rate ??
8.12

CA 16-Oct market value of swap

Test 22-Oct hedging of swap use forward.

Chapter 8

1) put call parity
2) Generalized put - call parity
3) option on exchange rate
4) Inequalities of option price
5) Early Ex of American options

Ex

prob from 7 & 8

8.1	put - call parity
8.3	put - call parity + arbitrage
8.7	option on ex. rate
8.8	Ineq + arbitrage
8.13	Early Ex of Amer option
Ap 1	Ineq + arbitrage
Ap 2	Generalize put - call parity.

CA 23-oct Exchange rate option
Inequal + arbitrage

Tut 22-oct 2, 3

Tut 29-oct 1, 2, 3

Day 1 : 1 + 2

Day 2 : 3