

## FINC 4571 - Derivative Markets

Expanded Course Outline

T,R 5:30 – 6:50 PM

Spring 2016

**Instructor:** Dr. James A. Yoder

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**Office Hours:** T, R: 1:00 - 2:00 pm

T, R: 3:30 - 5:30 pm

W: 1:00–5:00 pm

(You are WELCOME to drop in any time I am in the office)

*The policy of the University of West Georgia is that each student is responsible for checking his/her [my.westga.edu](mailto:my.westga.edu) email account on a regular basis.*

### **I. Catalog Description:**

An in-depth study of options and futures markets. Topics will include the institutional structure of options and futures markets, pricing models, and hedging techniques.

### **II. Required Background or Experience:**

A. Prerequisites: FINC 3511

B. Prerequisite Justification: Knowledge of present and future value relations and stock and bond pricing is used.

### **II. Expected Outcomes: (<http://www.westga.edu/acfin/1676.php>)**

A. Improve communication effectiveness (LG 1).

B. Apply basic quantitative skills to business problems (LG 2).

C. Have an understanding of political, legal, and ethical considerations that affect economic environments and business decision making (LG 5).

D. Expand mastery of spreadsheet and word processing skill (LG 3).

E. In-depth understanding of specific areas in the Finance curriculum (LG7, LG 8, LG9) as follows:

1. Students will be able to discuss institutional characteristics of futures and options markets.
2. Students will be able to apply option and futures pricing models.
3. Students will be able to describe basic investment strategies involving options and futures.
4. Students will be able to use futures and options to hedge portfolios.

**IV. Text and References:**

Text: An Introduction to Derivatives & Risk Management 9th or 8th edition) Chance & Brooks.

Supplementary Material: Subscription or access to Wall Street Journal

**V. Special or Unique Student Material:**

Financial calculator such as the TI-83I TI-BA II plus, HP-10b. **Devices with a wireless connection (e.g. iPhone, Blackberry, iPad) are not allowed for test taking.**

**VI. Special or Unique University Facilities:**

**VII. Expanded Description of Course and Instructional Method:**

A. Expanded description of the course:

This course is in two distinct parts. The first half of the course examines options. Call and put option features are explained the mechanics of trading are described. Options will be valued by the Black-Scholes and other pricing models. Option strategies and their use in portfolio management will be examined.

The second part of the course examines futures. Common futures contracts and their trading mechanics are described. Principals of futures pricing and hedging strategies are examined. Option on futures will also be covered.

B. Instructional Methods

Lecture, discussion, problem solving, and applied projects.

**VIII. Methods of Evaluating the Outcomes:**

A. Grading Policy (approximate)

Midterm examinations (2)	200 points
Final examination	100 points
Projects/quizzes/HW	As assigned

B. Extra Credit: There is no extra credit in this course beyond that explicitly stated in the course syllabus.

C. Work From Other Courses: Work submitted for credit in other courses will not be accepted for credit in this course.

### C. Administrative Policies

1. Class attendance is strongly recommended.
2. No makeup tests/quizzes.
3. You are responsible for knowledge of any administrative announcements (test information, schedule changes, etc. that are made during class).
4. Tests/quizzes will be announced in advance.
5. If you require any special conditions for attending class or taking tests, please notify the instructor during the first week of classes.
6. Requests for quiz/exam score adjustments must be made within one week of grade assignment.
7. Finance is the most quantitative major in the core and depends heavily in accounting. If you did poorly in your math and accounting courses, finance is probably not the major for you.
8. [westga.edu/assets/Dept/vpaa/Common\\_Language\\_for\\_Course\\_Syllabi.pdf](http://westga.edu/assets/Dept/vpaa/Common_Language_for_Course_Syllabi.pdf) contains important information pertaining to your rights and responsibilities in this class.
9. Credit Hour Policy (3 credit hours): Students in this class will spend 150 minutes per week with faculty instruction (either face-to-face or online). Generally, students can expect to spend about 450 minutes of class work outside of the classroom each week. This out-of-class work may include, but is not limited to, readings, assignments, projects, group work, research, and test preparation. The amount of out of class time required for a given outcome will vary by student
10. The policy of the University of West Georgia is that each student is responsible for checking his/her **my.westga.edu** e-mail account on a regular basis.
11. You are required to log in to Course Den at least once a week. I am required to report if students on financial aid are still participating in the course on a regular basis throughout the semester.

**IX. Tentative Schedule:**

<u>Week Beginning (Monday)</u>	<u>Chapter</u>	<u>Topic</u>
01/11	1	Introduction
01/18	2	Options Markets
01/25	6	Basic Option Strategies
02/01	3	Principles of Option Pricing
02/08	3	
02/15	4	Binomial Option Pricing
02/22	4	
02/29	5	Black-Scholes Option Pricing
03/07	5	
03/14	Spring Break	
03/21	7	Advanced Option Strategies
03/28	8	Futures Markets
04/04	9	Pricing Futures
04/11	11	Hedging with Futures
04/18	12	Swaps

**Final Exam: April 26, (Tuesday 5:00 – 7:00 P.M.)**

**Last day to withdraw with grade of “W” is March 3rd.**