

Enquire Teaching Timetable

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Course Outcome

ECON 4450 - Economics of Derivatives

Learning Outcome

- To understand how forwards and futures market work
- To compute the price of forwards and futures across asset classes
- To understand the types and payoffs of options
- To compute the price and price range of options
- To design hedging strategies and implement risk management using derivatives

Course Syllabus

- Introduction to futures and forwards
- Hedging Strategies using Futures
- Determination of Forward and Futures Prices
- Introduction to Options
- Properties of Stock Options
- Options Trading Strategies
- Option Prices: Binomial Trees
- Option Prices: Wiener Processes and Ito's Lemma
- Option Prices: Black-Scholes partial differential equation
- Hedging Risk: Greek Letters
- Application: Options on Stock Indices, Currencies and Futures

Assessment Type

	Assessment Type	Current Percent
1	Essay test or exam	80
2	Others	20

Feedback for Evaluation

Course and teaching evaluation at end of course
 Informal feedback channels throughout the course (face-to-face, email, WebCT)

Required Readings

- Hull, John C. Options, Futures, and Other Derivatives, 7th Edition, Pearson, 2009

Recommended Readings

McDonald Robert, Derivatives Markets, 1st edition, Addison Wesley, 2002

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