FINAL EXAM REVIEW:

Section I – OPTIONS (30 points)

1. INPUT: Table with Call and Put prices

OUTPUT: Buy/Sell Call, Puts, Straddles and Spreads

 Spreadsheet: Q1, Q2 from midterm exam answers

20 points

1. Black Scholes

Spreadsheet: Q7 from midterm exam answers

 10 points

Section II – Futures (30 points)

1. Hedging (100% and/or using the Optimal Hedging)



Optimal Hedging

INPUT: St Dev of the Spot price, St Dev of the Futures and the correlation

O = (St Dev K / St Dev S ) \* Cor = 0.64 = 64,000

1. Speculation Buying/Selling

Example: Today Gold prices are $1,800 per ounce and 3-month future price is $1,850. Suppose that when the contract matures in October the price of gold in now $1,900.

1. What will the profit for long position?

$50 per once

1. If each contact for delivery is 5,000 ounces what is you total profit per contact $50x5,000 = $250,000

Spreadsheet July 1 Futures & Forwards and PowerPoint presentation

Section III – SWAPS (40 points)

1. Two party Interest Rate Swap



1. Cross Currency Swap



1. Credit Default Swap



Spreadsheet July 15 - SWAPS