

THE UNIVERSITY OF TEXAS AT EL PASO

Department of Economics and Finance

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FIN 4316 Analysis of Derivatives

Course Syllabus, Spring 2016

Class Hours: 1:30 – 2:50 pm, TR, in BUSN - 301**Office Hours:** 12:30 – 1:30 pm, TR or by appointment**Required Text:** *Fundamentals of Futures and Options Markets, 8th Edition*, John Hull

ISBN-13: 978-0132993340

ISBN-10: 0132993341

Course Description: This course examines the organizational structure and institutional futures in the trading of derivatives. Topics include the institutional nature of options and futures markets; investment, hedging, and speculative strategies in them; the valuation of options on stocks, index, and foreign exchange futures prices.

Prerequisites: Fin 3315**Grading:**

Students will be graded based on assignments, exams, cases, and attendance.

Assignments:

Two assignments throughout the course. Each assignment is worth 50 points, with total assignments worth 100 points. All assignments are submitted through blackboard. No late assignments. No resubmission.

Assignment 1 (Due February 18, 2016)

End of chapter problems 2.26, 3.29, 3.30, 5.30, and 5.32

Assignment 2 Hedging with Options (Due April 12, 2016)

Choose one stock (or more, if you'd like) with option prices available on Yahoo! Finance. Set up a bull spread using calls, a bear spread using puts, a butterfly spread using calls, a straddle and a strangle with available option data. You can use options on the same stock or different stocks to form the positions. For each position, indicate the strike prices and premiums of the options used, and create a table that shows the profit and payoff of the strategy.

Exams

Students' understanding of the course and the material associated with the course will be measured by three exams, including a non-comprehensive final. Do not miss the exams! I will only provide make up exams, within one week after the actual exam date, for reasons approved by me prior to the exam.

Case Presentation

There will be eight case presentations scheduled at the end of the course. Case Presentations will be carried out in group format. Each group will be presenting one case and submitting a written report of a second case that another group presents. Case assignments and presentation schedule will be

handed out after the third exam. Eight case presentations are scheduled for four days, with two groups presenting on each day. Presenting group is responsible for preparing the PPT slides. All presentations should include: presentation agenda, case introduction, case analysis and conclusion. All group members are expected to participate equally in the analysis of the case. I may randomly ask questions to anyone in the presenting group and you should be prepared to convince me that you have participated more than just making the introduction or conclusion slides. The length of each presentation should be between 30 to 35 minutes and all groups should expect 5 to 10 minutes of questioning from me or the audience. Group members may receive different scores on the case presentation, based on performance. Presenters are encouraged to dress professionally.

All reports should contain the same sections included in a case presentation.

Class Attendance and Participation

Each student is expected to actively participate in class discussion. Attendance is required for the class. Students are given the opportunity to miss up to 2 classes without a penalty on the grade. Any absence after the second one will result in a 4 points deduction in attendance and participation.

Grades Breakdown

Assignment 1	50
Assignment 2	50
Exam 1	100
Exam 2	100
Exam 3	100
Case Presentation	50
Written Case Report	50
Attendance	100
Total	600

A	90% and above
B	80% to 89.999%
C	70% to 79.999%
D	60% to 69.999%
F	60% and below

Other Policies

1 The University of Texas at El Paso prides itself on its standards of academic excellence. In all matters of intellectual pursuit, UTEP faculty and students must strive to achieve excellence based on the quality of work produced by the individual. In the classroom and in all other academic activities, students are expected to uphold the highest standards of academic integrity. Any form of scholastic dishonesty is an affront to the pursuit of knowledge and jeopardizes the quality of the degree awarded to all graduates of UTEP. It is imperative, therefore, that the members of this academic community understand the regulations pertaining to academic integrity and that all faculty insist on adherence to these standards. Any student who commits an act of scholastic dishonesty is subject to discipline. Scholastic dishonesty includes, but is not limited to, cheating, plagiarism, collusion, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, any act designed to give unfair advantage to a student or the attempt to commit such acts. Proven violations of the detailed regulations, as printed in the Handbook of Operating Procedures (HOP), and available in the Office of the Dean of Students, and the homepage of The Dean of Students (DOS) at www.utep.edu may

result in sanctions ranging from disciplinary probation, to failing grade on the work in question, to a failing grade in the course, to suspension or dismissal, among others

2 If you have a disability and need classroom accommodations, please contact The Center for Accommodations and Support Services (CASS) at 747-5148, or by email to cass@utep.edu, or visit their office located in UTEP Union East, Room 106. For additional information, please visit the CASS website at www.sa.utep.edu/cass.

3 This syllabus is tentative.

Tentative Course Outline:

Date	Chapters	Assignments Due
19-Jan-16	Introduction	
21-Jan-16	Chapter 2 Mechanics of Future Markets	
26-Jan-16	Chapter 3 Hedging Strategies Using Futures	
28-Jan-16	Chapter 3 Hedging Strategies Using Futures	
2-Feb-16	Chapter 5 Determination of Forward and Future Prices	
4-Feb-16	Chapter 5 Determination of Forward and Future Prices	
9-Feb-16	Chapter 7 Swaps	
11-Feb-16	Chapter 7 Swaps	
16-Feb-16	Exam 1	
18-Feb-16	Chapter 9 Mechanics of Options Markets	Assignment 1 Due
23-Feb-16	Chapter 9 Mechanics of Options Markets	
25-Feb-16	Chapter 10 Properties of Stock Options	
1-Mar-16	Chapter 10 Properties of Stock Options	
3-Mar-16	Chapter 11 Trading Strategies Involving Options	
8-Mar-16	Spring break	
11-Mar-16	Spring break	
15-Mar-16	Chapter 11 Trading Strategies Involving Options	
17-Mar-16	No class	
22-Mar-16	Chapter 12 Introduction of Binomial Trees	
24-Mar-16	Chapter 12 Introduction of Binomial Trees	
29-Mar-16	Exam 2	
31-Mar-16	Chapter 13 Valuing Stock Options: The Black-Scholes-Merton Model	
5-Apr-16	Chapter 13 Valuing Stock Options: The Black-Scholes-Merton Model	
7-Apr-16	Chapter 17 The Greek Letters	

Assignment 2 Due

12-Apr-16	Chapter 17 The Greek Letters
14-Apr-16	Chapter 20 Value at Risk
19-Apr-16	Chapter 20 Value at Risk
21-Apr-16	Exam 3
26-Apr-16	Presentation Day1
28-Apr-16	Presentation Day 2
3-May-16	Presentation Day 3
5-May-16	Presentation Day 4