Rutgers Business School
Rutgers, The State University of New Jersey
Futures and Options (33:390:420:01)
Fall 2013

Instructor: Dr. Zhaodong (Ken) Zhong
Office: Rm.5135 New Business Bldg.
Phone: (732) 445-5109
E-mail: zdzhong@business.rutgers.edu

Meetings: Monday and Wednesday 3:20-4:40 PM
Classroom: BRR-5101
Office Hours: Monday and Wednesday 5:00-6:00 PM

COURSE OBJECTIVES

Derivatives markets are among the largest financial markets in the world, and various derivatives instruments are being used daily by corporate and portfolio managers for hedging, speculation, and arbitrage purposes. Financial engineers specialize in the creation and pricing of new derivatives are among the most highly sought professionals. All financial market participants should at least understand the use and valuation of key derivatives contracts. This course provides an introduction to these skills. The course will be mathematically intensive and a good understanding of calculus and algebra is essential.

TEXTBOOK AND MATERIALS

Required: John Hull, Fundamentals of Futures and Options Markets, 8th ed., Prentice Hall
Supplementary materials: Wall Street Journal
Course website: Blackboard

COURSE REQUIREMENTS AND GRADING

The overall grading schedule is as follows:
The Best Two of Three Exams 80% (40% each)
Assignments 20%

EXAMS

A total of three exams will be given during the semester. The attached class schedule indicates when exams will occur. The first two exams will be non-cumulative, and the last exam will be cumulative. Only the best 2 out of 3 scores will count towards total grading (i.e., you can drop one exam score). Overall, exams will count for 80% of the total grade.

All exams are closed book. Each exam contains multiple-choice questions and problem-solving questions. The best way to prepare for exams is to attend class, solve homework problems, and
review lecture materials. A significant part of each exam will be questions nearly identical to problems discussed in class or in the homework.

Students should bring a financial or scientific calculator, pen, and pencil to the exam. You may also bring one single-sided, letter-sized, “formula” sheet to each of the first two exams, and two single-sided, letter-sized, formula sheets to the last exam. Only formulas (no words or graphs) are allowed on the formula sheet. Penalty will be assessed for violating this policy. Students need to turn in his/her formula sheet after each exam. Therefore, if you want to keep a copy of the formula sheet for later usage, you must make a photocopy of it before the exam. Under no circumstance, can a student get his/her formula sheet back after the exam.

ASSIGNMENTS

Homework assignments will be a component of the total grade. Periodically, students are required to hand in printed or handwritten solutions to homework for grading. The due dates will be announced in class. Students must turn in their homework on time. Late homework will receive zero automatically. Overall, homework will count for 20% of the total grade.

CLASS PARTICIPATION AND BONUS POINTS

Class participation is important because it enhances the classroom environment and allows student to practice public speaking in a supportive, low-risk environment. Good public speaking is arguably the most valuable skill of a business leader. Like any other skill, it can only be improved through practice.

Chips will be awarded for solving in-class questions, or participating in discussions that enhance the learning of others. Chips will not be awarded for simple clarifications, or for questions that have already been discussed. Each student can earn one chip each day, and it must be “cashed in” at the end of each class.

Each chip is worth 0.5 bonus point towards the total grade. Each student can earn a maximum of 5 chips during each half of the semester, before and after the first exam. In other words, you can earn a maximum of 2.5 bonus points for each half of the semester (a total of 5 bonus points for the entire semester). Once you earn the maximum number of chips, please allow time for other students to participate. I appreciate active students, but I want all students to participate.

ATTENDANCE

Attendance is mandatory. The materials of this course are difficult, and attending class is the most efficient way to learn knowledge. Therefore, attendance will be taken throughout the semester. Each student is entitled to two unexcused absences for the semester. Each unexcused absence beyond the second one will reduce the total grade by one point per unexcused absence. For example, if a student has four unexcused absences, then his/her total grade will be reduced by two points.
What is an excused absence? An excused absence is when there are extenuating circumstances regarding why a student cannot attend class, such as illness requiring medical attention, conflict due to a religious observation, etc. If such an extenuating circumstance exists, you need to provide me written supporting document with signature of qualified professionals (such as doctor’s note). Emails or other forms of notices are not sufficient, thus will not be accepted. Sorry, but work obligations and job interviews do not count as excused absences, which is the reason why you get two freebies.

Finally, you need to arrive at the classroom on time. If you are late and I have already taken attendance before you arrive at the classroom, it will be treated as an unexcused absence.

MAKE-UP POLICY

Since you can drop one exam score, there is no make-up exam if you miss one exam. If under some extreme unusual circumstance that you have to miss another exam after you already miss one (assuming both misses are due to justified causes), one make-up exam can be given, provided that the student has adequate documentation for both cases as determined by the instructor in accordance with university policy.

RE-GRADING

You may request a re-grade on any exam. Each re-grade request must be accompanied by a concise written explanation of the request and submitted to me within one week after I distribute the grade for the exam. The whole exam will be re-graded, so your score can either increase or decrease or stay the same as a result.

USE OF ELECTRONIC DEVICES

Use of any electronic devices, such as laptops or tablets, is not allowed during regular class time unless otherwise noted (e.g. during computer lab sessions).
### Tentative Class Schedule (Subject to change*)

<table>
<thead>
<tr>
<th>Dates</th>
<th>Contents</th>
<th>Reading (Chapters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/4; 9/9</td>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>9/11; 9/16</td>
<td>Forward and Futures</td>
<td>2</td>
</tr>
<tr>
<td>9/18; 9/23</td>
<td>Determination of Forward and Futures Prices</td>
<td>5</td>
</tr>
<tr>
<td>9/25; 9/30</td>
<td>Hedging Using Futures</td>
<td>3</td>
</tr>
<tr>
<td>10/2; 10/7</td>
<td>Interest Rate Futures</td>
<td>4, 6</td>
</tr>
<tr>
<td>10/9; 10/14</td>
<td>Options</td>
<td>9</td>
</tr>
<tr>
<td>10/16; 10/21</td>
<td>Properties of Option Prices</td>
<td>10</td>
</tr>
<tr>
<td>10/23; 10/28</td>
<td><strong>Exam I on 10/28</strong></td>
<td></td>
</tr>
<tr>
<td>10/30; 11/4</td>
<td>Trading Strategies</td>
<td>11</td>
</tr>
<tr>
<td>11/6; 11/11</td>
<td>Binomial Trees</td>
<td>12, 18</td>
</tr>
<tr>
<td>11/13; 11/18</td>
<td>Black-Scholes Model</td>
<td>13, 19</td>
</tr>
<tr>
<td>11/20; 11/25</td>
<td>Options on Indices, Currencies, and Futures</td>
<td>15, 16</td>
</tr>
<tr>
<td>12/2; 12/4</td>
<td>Option Greeks and additional topics</td>
<td>17, 7</td>
</tr>
<tr>
<td>12/9; 12/11</td>
<td><strong>Exam II on 12/11</strong></td>
<td></td>
</tr>
</tbody>
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*Exam III on 12/20 @ 12pm
Check the following webpage for exact date and time: http://scheduling.rutgers.edu/fallfinals.shtml

*If you miss a class, please check with your classmates for any announcement.