

PACE UNIVERSITY

FIN 672: Strategies in Investments, Options, and Futures

Spring 2010

163 William Street, Room 2030, Wednesday: 6:00 – 8:45pm

Instructor:

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Office hours: Tuesday: 12:00-1:00 pm &

3:00 – 6:00pm

Wednesday: 5:00-6:00pm

Course Description and Objectives:

FIN 672 is a basic/intermediate-level course in derivatives securities. It focuses on futures and forward contracts, interest rate derivatives (forward rate agreements and swaps) and options (puts and calls). Its objective is to familiarize you with each derivative instrument's characteristics, as well as with how to price and trade derivative products to achieve a variety of financial goals.

Textbook:

Options, Futures, and Other Derivatives, 7th edition, by John C. Hull, Prentice Hall, ISBN 0136015867

Recommended reading:

Rogue Trader, by Nick Leeson

Fiasco, The Inside Story of a Wall Street Trader, by Frank Partnoy

Infectious Greed, How Deceit and Risk Corrupted the Financial Markets, by Frank Partnoy

The Wall Street Journal

Grading Weight and Distribution:

Exam	30%
Problem Sets	60%
Class Participation	10%

This course will feature one exam and three problem sets. Students are encouraged to work in groups of up to three when completing the problem sets. Groups must stay intact from the beginning to the end of the semester (the same group of students must complete all problem sets). They must be identified (via e-mail) by February 10th. The in-class exam will be cumulative, open-books, open-notes, and given at the end of the semester.

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At the end of the semester your overall score will be converted to a final grade as follows:

93 and above	A	77-79.9	C+
90-92.9	A-	73-76.9	C
87-89.9	B+	70-72.9	C-
83-86.9	B	67-69.9	D+
80-82.9	B-	60-66.9	D
		below 60	F

Class Policies:

- No make-up exams or extra-credit projects are permitted.
- Avoid being late at the beginning of class and after the break.
- Turn off or set to vibrate your cell phones and beepers during class time.

Course website:

Course information will be posted on the course website (blackboard.pace.edu). Check the announcement section before you come to class for last minute postings.

Reasonable accommodations for students with disabilities:

The University's commitment to equal educational opportunities for students with disabilities includes providing reasonable accommodations for the needs of students with disabilities. To request an accommodation for a qualifying disability, a student must self-identify and register with the Coordinator of Disability Services for his or her campus. No one, including faculty, is authorized to evaluate the need and arrange for an accommodation except the Coordinator of Disability Services. Moreover, no one, including faculty, is authorized to contact the Coordinator of Disability Services on behalf of a student. For further information, please see Information for Students with Disabilities on the University's web site.

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Course Outline*:

1. Introduction (Week 1)	Chapter 1: Introduction
2. Forwards and Futures Contracts (Weeks 2 – 5)	Chapter 2: Mechanics of futures markets Chapter 3: Hedging strategies using futures Case 1: Metallgesellschaft and the stack-and-roll hedge Chapter 5: Determination of forward and futures prices
Week 4	Homework 1 will be distributed
3. Interest Rate Derivatives (Weeks 6 – 7)	Chapter 4: Interest rates Chapter 7: Swaps Case 2: Proctor & Gamble and Bankers Trust Swaps
Week 8	Homework 2 will be distributed
4. Options (Weeks 8 – 13)	Chapter 8: Mechanics of options markets Chapter 9: Properties of stock options Chapter 11: Binomial trees Chapter 13: The Black-Sholes-Merton model
Week 12	Homework 3 will be distributed
	Chapter 10: Trading strategies involving options Case 3: Nick Leeson and the bankruptcy of Barings Bank Chapter 15: Options on stock indices and currencies Chapter 17: The Greek letters Chapter 18: Volatility smiles
If time permits	Chapter 16: Futures options Chapter 24: Exotic options Chapter 20: Value at Risk
Week 14	Final exam

* The outline is subject to change without prior notification

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Student Information Sheet

Name _____

Student ID Number _____

E-mail address _____

Do you currently work? _____

If yes, what are your job title and employer? _____

Do you have any prior (academic or work) experience in derivatives? _____

Why have you registered for this course? _____

What do you expect to learn in this class? _____

What is your dream job? _____

I may need special assistance in the class because (check all that apply):

_____ I am transferring this course to another college/university that requires a "C" or better

_____ I am on probation and need a "C" or better to stay at Pace University

_____ I took this class before and failed it

_____ I have never done well in quantitative courses (such as math, statistics, etc.)

_____ I am receiving a scholarship and need at least a "B" to keep it

_____ I can't get reimbursed from my company unless I earn at least a "C"

_____ Other (please specify) _____