COURSE OBJECTIVE:
This course is a comprehensive introduction to the management of portfolios using options. A detailed examination of the methods of valuing options and a discussion of the Black-Scholes option pricing model will be presented, followed by insights into option contracts as useful risk transferring instruments. A brief introduction to stochastic calculus is also given. Stock, index, debt, commodity, foreign currency and futures options are reviewed, and option strategies are analyzed as managerial tools in financial decision-making. Skills developed in this course include analytical and decision-making, creative thinking, communication. Students are encouraged to form teams and work jointly five sets of homework problems. The course integrates functional areas in finance, accounting, economics and quantitative methods.

TEXTBOOK REQUIRED:

TOPICS AND ASSIGNMENTS:
August 22  Stock Options Contracts  Chapters 1, 7
September 5  Option Properties  Chapter 8
September 12  Trading Strategies  Chapter 9
September 19  Binominal Trees  Chapter 10
September 26  Mid-term Examination
October 3  Black-Scholes Option Pricing  Chapter 11
October 10  Index Options and Portfolio Insurance  Chapter 12
October 17  Options on Futures, Currencies and Interest Rates  Chapters 13, 14
October 24  Value at Risk, Alternatives to Black-Scholes and Exotics  Chapters 15, 16
October 31  Final Examination

TESTS AND GRADING:
The mid-term and final are each worth 100 points. Five optional homework assignments will be given, each worth one point. Simulated trading is also available. Details will be presented in class. Students will earn their course grades according to the following scale:
180 - 200 = A
170 - 179 = B+
160 - 169 = B
150 - 159 = C+
140 - 149 = C