FIN 561: FUTURES and OPTIONS
Spring 2019: Tuesdays, 6:00-9:20 PM

Today’s financial executives must understand how to optimally manage the risks of changes in prices, interest rates, and their firm’s economy-wide exposure.

This lecture-based course provides an overview of futures, forwards, swaps and option markets. We will analyze the pricing of futures and options contracts as well as various price relations and review available empirical evidence. We will study alternative investment and risk management strategies. We will give particular attention to hedging prices of commodities and financial assets, interest rates, and systematic market exposure.

STUDENTS COURSE RESPONSIBILITIES
1. **Homework assignments and projects (EVERY CLASS).** (Total weight of 20%.)
   Assignments can be submitted individually or in groups.
2. **TWO EXAMS.** (Each exam has a weight of 40%, for a total weight of 80%.)

PLANNED COURSE OUTLINE
We will deviate from the outline depending on the pace the class feels comfortable with.
1. Introduction to futures, forwards and options contracts.
2. Arbitrage in futures and spot markets and the pricing of futures contracts
3. Hedging with futures contracts.
Managing interest rate risk:
4. Short-term interest rate futures
5. Interest rate swaps
7. Stock index futures.

**EXAM 1 WILL COVER TOPICS 1-7.**
8. Introduction to Options Markets. Basic Trading Strategies.
9. Hedging with options.
11. The binomial options pricing model – European options.
12. The Black-Scholes option pricing model. Implied volatility. The “Greeks.”

**EXAM 2 WILL COVER TOPICS 8-14.**

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