

Fall 2015

FIN 4308

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University of New Orleans

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FIN 4308 (1)
Derivatives Analysis
FALL 2015

Instructor: Dr. Peihwang Philip Wei

Class Time: 11-12:15 T&TH

Office: KH 431

Classroom: KH 220

Phone: 280-6602

E-mail: pwei@uno.edu

Office Hours: T&TH 10:30-11, 12:15-1:15&W12-3

OBJECTIVES: To familiarize you with the current state of knowledge about futures, options, and other derivative securities. These securities, by themselves, are fairly speculative. However, they can be used to reduce risk if used properly. Many industrial and financial firms use derivatives to manage their risk, and therefore the demand for skilled derivative analysts is fairly strong. The content of the course is more quantitative, compared to most other business courses.

PREREQUISITES: FIN 3302 (Investments).

REQUIRED TEXT: Hull, John, *Fundamentals of Futures and Options Markets*, 7th ed., Prentice-Hall, 2011. Available from most on-line booksellers (ISBN: 0-13-610322-7).

Optional: Study guide. For students interested in Visual Basic programming, any of the following two books would be a good reference: “Advanced modeling in finance using Excel and VBA” by Jackson and Staunton 2001 ISBN 0471499226, or “The complete guide to option pricing formulas” by Haug 1997 ISBN 0786312408.

OTHER REQUIRED TOOL: Announcements will be made in class and on Moodle. In addition, some class material will be available on line. Therefore, you need to be able to regularly check both Moodle and e-mail. Also, because this course is relatively more quantitative, familiarity with computer and calculator is very desirable. You will need a scientific or financial calculator.

REQUIREMENTS and GRADING

Exam 1 (early Oct)	30%
Exam 2 (early Dec)	30%
Projects	30%
Participation	10%

EXAMS contain mainly short essay questions and short numerical problems. The exams will stress the most important material, i.e., those emphasized most in my lectures and class-notes, which are available on Moodle. For students with strong reasons and valid proof to miss an exam, a makeup will be given in the final exam week and it will be comprehensive to ensure all topics are covered.

PROJECTS (2 projects; details to be announced): One involves collecting information, analyzing the information, and performing some computations using

Excel. The other project involves participation in an investment game from 9/7 to 11/13. The grading on this will be primarily based on a 3-page short essay describing your research, thoughts, and experiences (to be turned in near the end of the semester). The cost is about \$27 per account, and two persons can share one account, but need to write separate and independent essays. To register, go to our Moodle for stocktrak registration or:

<http://www.stocktrak.com/public/members/registrationstudents.aspx?p=UNO-Fin4308-f15>

I assign these projects because familiarity with computers and internet is a must in today's financial applications.

PARTICIPATION: This class will be taught in a highly interactive manner. Your attendance at every class session is important. A seating chart will be used so I can better track your participation and attendance—please stay in the same seat throughout the semester. The class participation portion of your final grade will be automatically decreased by 10 points (or more for excessive absences) for each absence exceeding two. Habitual lateness or tardiness will also seriously affect your participation grade. Also required is a presentation of a derivative article of your choice. A subscription to the Wall Street Journal is recommended, since many articles appearing in Wall Street Journal are strongly related to the course material.

ACADEMIC INTEGRITY: Students are expected to conduct themselves according to the principles of academic integrity as defined in the statement on Academic Dishonesty in the UNO Judicial Code. Any student or group found to have committed an act of academic dishonesty shall have their case turned over to Judicial Affairs for disciplinary action which may result in penalties as severe as indefinite suspension from the University. Academic dishonesty includes, but is not limited to: cheating, plagiarism, fabrication, or misrepresentation, and being an accessory to an act of academic dishonesty.

ACCOMMODATION: It is University policy to provide, on a flexible and individualized basis, reasonable accommodations to students who have disabilities that may affect their ability to participate in course activities or to meet course requirements. Students with disabilities should contact the Office of Disability Services as well as their instructors to discuss their individual needs for accommodations.

CLASSROOM CONDUCT

1. Be in class on time. Please do not come five, ten, or twenty minutes late. Distracting interruptions are inconsiderate, disrespectful, and time-wasting. There is no excuse for repeatedly arriving late. Parking is often a hassle; allow enough time for it. Cell phones should be turned off before class begins.
2. Feel free to ask questions of the instructor during class. But please do not ask other students, as talking disturbs my concentration and the concentration of other class members.
3. Students are expected to treat faculty and fellow students with respect. Any actions that purposefully and maliciously distract the class from the work at hand will not be allowed.
4. Civility in the classroom and respect for the opinions of others is very important in an academic environment. It is likely you may not agree with everything that is said or discussed in the classroom. Courteous behavior and responses are expected.

The instructor reserves the right to make changes to the requirements and schedule.

TENTATIVE COURSE OUTLINE

<u>Date</u>	<u>Topic</u>	
8/20	Introduction	Ch. 1
8/25, 27	Interest Rates Securitization	Ch. 4 Ch. 8
9/1, 3	Mechanics of Options Markets	Ch. 9
9/8, 10	continued	
9/15, 17	Properties of Stock Options	Ch. 10
9/22, 24	Trading Strategies Involving Options	Ch. 11
9/29, 10/1	Introduction to Binomial Trees	Ch. 12
10/6	Binomial Trees continued	
10/8	Exam 1: Monday	Ch, 1, 4, 8-12
10/13	The Black-Scholes Model	Ch. 13
10/14	Last day to drop	
10/15	midsemester break	
10/20, 22	Black-Scholes Model continued Index and Currency Options	Ch. 15
10/27, 29	Mechanics of Futures Markets	Ch. 2
11/3, 5	Hedging Strategies Using Futures	Ch. 3
11/10, 12	Determination of Forward and Futures Prices	Ch. 5
11/17, 19	Swaps	Ch. 7
11/24	Greek Letters	Ch. 17
11/26	Thanksgiving	
12/1	Weather & Energy Derivatives	Ch. 24
12/3	Exam 2: Wednesday	chapters after exam 1
Final Exam Week	Exam: Makeup for only students with a valid excuse missing either Exam 1 or 2	

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The following lists the course content and requirements, in addition to those in FIN 4308.

ADDITIONAL OBJECTIVE: Some advanced topics, such as the derivation of the Black-Scholes model, will be covered with one or two classes.

ONE ADDITIONAL PROJECT: details to given after Exam 1