

BI — THE NORWEGIAN SCHOOL OF MANAGEMENT

GRA6535
Derivatives
Syllabus

Spring Term 2010
Paul C. Kettler
Office Hours: By Appointment

This course on the use and valuation of derivative instruments, primarily futures and options, is offered in two sections, on Tuesdays 1100–1345 and 1400–1645. The assigned textbook is Hull, John C., Options, Futures, and Other Derivatives, 7th edition (international), Pearson Prentice Hall, New York 2009. It is available in Akademika” for kr 649. The author provides additional materials on his web site <http://www.rotman.utoronto.ca/~hull/>,

including an errata sheet for the textbook and slide sets relating to the chapters of the book. As well, there is a Solutions Manual, available for purchase by students, for the problems in the textbook. The Solutions Manual is specifically not assigned for the course, but may be a useful study aid for some. Problems also are not assigned, nor is reading of the slides, though some of each may be used for illustration from time to time in the lectures.

Two examinations scheduled, the mid-term in the 6th week of the course (for the full session) and the final in the scheduled period at the end of the term. The examinations are of the ‘open book’ variety, with the only restriction being on the use of laptop, notebook, or tablet computers, to avoid distracting others. Hand calculators are acceptable, but will not provide any marginal advantage, as any calculations required will be simple and able to be performed by hand. The implication is that the examinations are based on using ideas developed during the course, not on recall of reference material nor on the execution of computer programs.

All of us at BI want you to succeed in this course and others, so please avail yourselves of all the resources at your disposal. You not only have your instructor, but other faculty members, fellow students, a first class library, the Internet, and places to visit such as the Bourse in downtown Oslo. Use them and us effectively as you continue to acquire your education. Best wishes.

CONTACT INFORMATION

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LECTURE TOPICS AND ASSIGNED READING

Week: Course (Calendar)

- 1 (2) Introduction to futures
Chapters 1–2
- 2 (3) Hedging
Chapters 3–4
- 3 (4) Price discovery
Chapter 5
- 4 (5) Interest rates
Chapter 6
- 5 (6) Swaps
Chapter 7
- 6 (7) Mid-term examination
No reading assignment
- 7 (8) Introduction to options
Chapters 8–9
- 8 (9) Strategies/Binomial valuation
Chapters 10–11
- 9 (10) Stochastic processes/Black–Scholes model
Chapters 12–13
- 10 (11) Options on derivatives
Chapters 15–16
- 11 (12) Derivatives of derivatives/The ‘Greeks’
Chapters 17–18
- 12 (14) Special topics/Review
Chapters 23, 24, 27, 28
(Read for qualitative understanding.)
- (15) Extra session, if needed, to replace a canceled meeting
- (—) Final examination
No reading assignment