

# MBA 622: INTRODUCTION TO DERIVATIVES

Winter Quarter 2018/19

Tue 6:00-9:00

Corboy Law Center Room 207

Instructor: Phillip Torres

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## **Course Description:**

This course is a comprehensive introduction to the theory, use, and valuation of options and forward/futures contracts with particular emphasis on use of options in a speculative or hedging portfolio. A sound understanding of the intuition underlying option pricing is critical to a thorough understanding of modern finance and financial risk management. By the end of this course, if you apply yourself, you will have a good knowledge of how these instruments work, how they are used, how they are priced, and importantly how to implement them.

The course will also include at least one course long project and a trading simulation game where you will implement trading strategies from class in real-life situations. Your instructor is a practitioner and as such class and course work will emphasize examples and lessons from his career.

## **Course Material:**

“Fundamentals of Futures and Options Markets” by John Hull

The course’s textbook will be used as background material for you. Lectures will be a mixture of technical detail necessary for your assignments and building your intuition. The textbook is great for additional detail/reminder of the lecture’s information as well as an opportunity to challenge yourself with practice problems. I will provide you with solutions to these problems.

You will be required to sign up for Bloomberg for options modeling and trading simulation. For this class you will need to work with a Bloomberg terminal. Bloomberg is the lead provider in the industry of real-time data, news and analytics across multiple asset classes. Bloomberg terminals are located in the FSBA lab. For more information on setting a Bloomberg account and getting started visit [www.luc.edu/fsba](http://www.luc.edu/fsba) or stop by the lab.

## Grading

Homeworks	10%
Projects	15%
Class Participation & Journals	15%
Quizzes	20%
Final Exam	40%
	100%

You have two Homework Assignments

You have two Quizzes

You have the opportunity to correct any errors on quizzes and resubmit the quiz for a second grading. All points earned via corrections are worth 50% of the original value towards your overall final score.

You have nine class participation events and eight journal dates

You have two Projects

You have one Final Exam

All assignments are due by 6pm via email or handed to me in class. Anything delivered after that moment is not counted.

### Grading Scale/Conversion

90+	=>	A
80-90	=>	B
70-80	=>	C
60-70	=>	D
Below 60	=>	F

# Tentative Syllabus

Date	Reading Assignment	Topic		
11/13	Introduction & Forwards/Futures Markets	Hull	Ch. 1- 5	
11/20	More Forwards & Options basics	Hull	Ch. 5, 6, 9	
11/27	No-arbitrage restrictions on Options, Early exercise, put-call parity, strategy basics	Hull	Ch. 9, 10, 11	
	<b>**** Homework #1 Due **** (In Class)</b>			
12/04	Binomial Option Pricing	Hull	Ch. 12	
	<b>***** QUIZ 1 *****</b>			
12/11	More on Binomial Model	Hull	Ch. 12, 18	
01/15	Black Scholes Model	Hull	Ch. 13	
	<b>**** Homework #2 Due **** (In Class)</b>			

01/22                      The Greeks & hedging    Hull    Ch 17, 19

**\*\*\*\* Trading Project Due \*\*\*\***

01/29                      Volatility, skews, smiles, etc.    Hull    Ch. 19

**\*\*\*\*\* QUIZ 2 \*\*\*\*\***

02/05                      Game Night

**\*\*\*\*\* Special Instrument Project Due \*\*\*\*\***

02/12                      Final Exam