

Business Administration

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| Course Number: | BUAD 353 |
| Course Title: | DERIVATIVE SECURITIES |
| Credits: | 3 |
| Calendar Description: | This course discusses the valuation methods and hedging strategies of options, futures, swaps and other financial derivatives. It presents a balance of the institutional details, theoretical foundations, and practical applications. |
| Semester and Year: | Winter 2015 |
| Prerequisite(s): | BUAD 350 and minimum third-year standing |
| Corequisites(s): | No |
| Prerequisite to: | No |
| Final Exam: | No |
| Hours per week: | 3 |
| Graduation Requirement: | Elective – BBA, Finance |

Professor

| Name | Phone number | Office | Email |
|--------------------|---------------------|---------------|--|
| Yunke He, PhD, CFA | 762-5445 #4368 | Kelowna: C143 | yhe@okanagan.bc.ca |

Learning Outcomes

Upon completion of this course, students will be able to:

- Understand the fundamentals of options, futures, swaps, and other derivative markets
- Demonstrate sufficient knowledge of the pricing mechanism of derivatives
- Trade derivatives as hedgers or speculators
- Formulate strategies in portfolio management using various derivatives

Notes

In order to pass this course, the student must obtain a weighted average of 50% or higher on two exams and quizzes. There will be no make-up or supplementary exams/quizzes. Class attendance is required and active class participation/contributions are expected.

Course Format

Lectures, in-class discussions, investment practice, reading assignments, and exams.

Investment Practice

The investment practice component requires students to participate in the StockTrak Global Portfolio Simulations. It is evaluated based on a written investment report and an oral presentation. The investment report should reflect Learning Outcomes listed in this course outline. It should include the following sections:

- One page executive summary including final holdings of the portfolio and the final rank in the competition
- The transaction history and justifications for each transaction (please provide company names, not just symbols)
- An essay stating what has been learned from the competition

Required Texts/Resources

Derivatives: An introduction (2nd ed.), R. A. Strong, Thomson South-Western (OC Course Pack).

Additional readings will be distributed in class or posted on Moodle.

Course Schedule

| Date | | Topic | Textbook |
|------|--------|--|----------------|
| | | Mon. Jan 5 Classes begin Family Day Feb 9 & Feb 10 to 13 Reading Break – no classes Good Fri. Apr 3 & Easter Mon. Apr 6 – no classes Tues. Apr 14 Last day of regularly scheduled classes | Strong Text |
| Jan | 9 | Introduction Basic Principles of stock Options | Ch 1, 2 |
| | 16 | Basic Option Strategies: Covered Calls and Protective Puts Options Combinations and Spread | Ch 3, 4 |
| | 23 | Options Pricing | Ch 5 |
| | 30 | The Black-Scholes Options Pricing Model Options Greeks | Ch 6, 7 |
| Feb | 6 | Exam 1 Fundamentals of the Futures Market | Ch 8 |
| | 9 - 13 | READING BREAK (no classes) | |
| | 20 | Fundamentals of the Futures Market (continued) Stock Index Futures | Ch 8, 9 |
| | 27 | Stock Index Futures (continued) Foreign Exchange Futures | Ch 9, 10 |
| Mar | 6 | Fundamentals of Interest Rate Futures | Ch 11 |
| | 13 | Futures Contracts and Portfolio Management Swaps and Interest Rate Options | Ch 12, 13 |
| | 20 | Other Derivative Assets Financial Engineering and Risk Management | Ch 15 Ch 16 |
| | 27 | Contemporary Issues Exam 2 | Ch 17 |
| | 3 | Good Friday (no classes) | |
| | 10 | Investment Practice Presentations Investment Report Due | |
| Apr | 6 | | |
| | 13 | | |

Apr 17 - 25

SKILLS ACROSS THE BUSINESS CURRICULUM

The Okanagan School of Business promotes core skills across the curriculum. These skills include reading, written and