

Economics 437
Applied Commodity Marketing and Price Analysis
Tu - Th 9:30 - 10:45 AM
308 Curtiss Hall

Instructors

Bruce A. Babcock
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Samarendu Mohanty
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Dr. Babcock will primarily teach the first eight weeks of the course.
Dr. Mohanty will primarily teach the remaining seven weeks.

Office Hours

Tuesday and Thursday
10:45 - Noon for the current instructor.

Text

Introduction to Futures and Options Markets, Third Edition by John Hull.

Website: <http://www.econ.iastate.edu/classes/econ437/babcock/homepage.html>

Course Objective

Economics 437 will examine how forward contracts, futures contracts, and options are used by firms, speculators and arbitrageurs and how these derivatives are valued. The course will also cover the major mechanisms by which financial trades take place including commodity exchanges, traditional over the counter markets, and new internet auctions.

Grading

50% of the class grade will come from two midterms and a comprehensive final examination will account for 30%. Graded homework assignments will account for 15% of the grade and how well your group manages a trading account will make up the remaining 15% of the grade.

Course Outline

Week 1: Introduction; Chapter 1

Week 2: Futures and Forward Markets; Chapter 2

Week 3: Forward and Futures Prices and Hedging Strategies; Chapters 3 and 4

Week 4: Interest Rate Futures; Chapters 5

Weeks 5 and 6: Stock and Commodity Options; Chapter 7, 8

Week 7: Trading Strategies; Chapter 9

Week 8: Midterm Exam

Week 9: The Black-Scholes Model; Chapter 11

Weeks 10 and 11: Options on Stock Indices, Currencies, and Futures; Chapters 12, 13

Week 12: Hedging Strategies; Chapter 14

Week 13: Value at Risk Curves; Chapter 15

Week 14: Exploration of New Price Discovery Tools (Reading material to be distributed)

Week 15: Review

Final Exam