TEXTBOOKS


READINGS AND ASSIGNMENTS

Specific readings will be assigned in class. Problems will be assigned. Topics could be added to this list.
TOPICS

1. Derivatives

- Introduction
  Hull ch 1

- Futures and forward markets
- Hedging using futures
  Hull ch 2 and 3

- Interest rates
  Hull ch 4
  Benninga ch 25 and 26

- The determination of forward and futures prices
  Hull ch 5

- Interest rates and futures
  Hull ch 6
  Benninga ch 27

- Swaps
  Hull ch 7

- Options markets
  Hull ch 8
  Benninga ch 16

- Properties and strategies using options
  Hull ch 9 and 10

- Binomial trees and the binomial option pricing model
  Hull ch 11
  Benninga ch 17

- Wiener processes and Ito’s lemma
  Hull ch 12
  Benninga ch 19

- Risk neutral valuation and the Black-Scholes-Merton model
  Hull ch 13

- Options on stock indices, currencies and futures (if time permits)
  Hull ch 15 and 16.

- Greek letters (if time permits)
  Hull ch 17
  Benninga ch 20

- Volatility smiles (if time permits)
  Hull ch 18.

- Numerical procedures

- Credit risk and credit derivatives
  Hull ch 22 and 23
  Benninga ch 28

*Hull Power point slides downloadable at www.rotman.utoronto.ca/~hull
2. Efficient markets

- Are Financial Markets Efficient?
- Revelation of information by markets and informational efficiency

Copeland, ch 10 and 11.
Shleifer, ch 1.
Benninga ch 14


3. Behavioural finance

- Prospect theory
  Kahneman (2003)

- Implications of prospect theory for portfolio choice
  Shleifer, ch 3.

- Implications of prospect theory for the CAPM
• Implications of prospect theory for the equity premium

• Noise Traders and the limits of arbitrage
  Shleifer, ch 2 and 4.

• Asset pricing

• Investor Sentiment and overreaction in financial markets
  Shleifer ch 5

4. Financial Crises (if time permits)

Allen and Gale (2009) chapters to be announced.

COURSE EVALUATION:

The course evaluation consists of the following:
Mid-term 40% Thursday February 11, 2010 (tentative, could also include take-home assignments to be given, details to be announced)
Final 60% formally scheduled during the examination period.

Re-marking: Any request for remarking must be submitted in writing within two weeks of that piece of work first being returned to the class. The request should contain a detailed explanation of why you feel you should receive a higher mark. Please note that remarking will apply to the entire work not just the contentious issue. As a result, the revised mark may be higher than, lower than or the same as the original mark.

ACCOMMODATION

Students with disabilities needing academic accommodations are required to contact a coordinator at the Paul Menton Centre to complete the necessary letters of accommodation. The student must then make an appointment to discuss their needs with the instructor at least two weeks prior to the first class test. Please note that the deadline for submitting completed forms to the PMC for formally scheduled exam accommodations is March 12, 2010.

For pregnancy students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. The student must make an appointment to discuss her need with the instructor at least two weeks prior to the first academic event in which the accommodation will be required.