

Introductory Derivatives Edition 2

'Introductory Derivatives, Edition 2', is an exciting update to our catalogue of finance e-workbooks. By providing personal tutoring and integrating with a wide range of textbooks, it is the ideal study tool for students of all levels.

Introduction to derivatives

- Identifying financial risk
- Hedging approaches
- New risks caused by using derivatives
- Trading derivatives, marking-to-market
- The Sydney Futures Exchange
- The Australian Stock Exchange
- The functions of a clearing house

Forward Rate Agreements (FRAs)

- Introduction to FRAs
- Spot rates
- Forward rates and forward ratios
- Characteristics of FRAs
- Trading FRAs
- Creating an effective borrowing hedge

Futures

- Introduction to futures
- Short and long positions in futures contracts
- Creating payoff diagrams
- Trading futures
- Speculators, arbitragers and hedgers
- The process of delivering a futures contract
- Margin accounts and calculating margin calls
- Factors determining futures prices
- Identifying arbitrage opportunities
- Pricing consequences of exploiting arbitrage

Using futures

- SPI futures
- BAB futures
- Treasury bond futures
- Currency futures
- Commodity futures

Options

- Introduction to options
- Calls and puts
- American and European options
- Risk and return profile of counterparties
- Trading options
- Creation and uses of caps, floors and collars
- Spreads, straddles and strangles
- Synthetic shares and synthetic options

Pricing options

- Intrinsic and time value of options
- Put-call parity
- Black-Scholes model and limitations
- Binomial model and limitations
- Delta, theta and gamma
- Using delta to establish an effective hedge

Swaps

- Introduction to swaps
- The theory of comparative advantage
- Trading swaps
- How swaps can help hedge interest rate risk
- Valuation of interest rate swaps
- Valuation of currency swaps