

# **FINA 7A51**

## **Derivatives II: Forwards, Futures and Swaps.**

**M 6:00 – 9:00PM Fall 2021**

FINA7A51 is designed to give the student a thorough analysis of the theory of Futures and Swaps and its applications in practice. The emphasis of this course is on the use of futures and swaps in risk management by investors and firms of all sizes. This is an advanced elective course.

### **A. Professor availability:**

#### **Professor Ramon Rabinovitch**

210H Melcher Hall.

TEL. (713) 743 4782

FAX. (713) 743 4789

EMAIL: [ramon@uh.edu](mailto:ramon@uh.edu)

WEB PAGE: [www.bauer.uh.edu/ramon](http://www.bauer.uh.edu/ramon)

**OFFICE HOURS**

**TBD**

### **B. My teaching method:**

During my classes I use slides that follow closely the chapters we cover in the textbook. I believe, however, that it is impossible to fully understand the material based on the class lectures alone. Thus, in order to help the students to understand and master the material, there will be about 5 homework (HW) assignments. I consider these assignments an integral part of my teaching method; therefore, the HW assignments are graded and their average score becomes 25% of your course score. See part E below.

## **C. The course material sources:**

1. **Required textbook:** John C. Hull, "*Options, Futures, and Other Derivatives*" 10<sup>th</sup> edition, Pearson.

We will cover Chapters:

- 2: Mechanics of futures markets.
  - 3: Hedging strategies using futures.
  - 5: Determination of Forwards and Futures Prices.
  - 7: Swaps.
2. **My slides** will be posted on Blackboard well before we cover the material they present.
  3. Possibly, some additional material.

## **D. The course requirements:**

Your final letter grade in this course is based on a weighted average of the HW assignments average score, and two exam scores, as explained in part E below.

**The HW assignments and the two exams are the ONLY requirements for a grade in this course.**

### **D1. Homework assignments:**

There will be weekly homework assignments. A HW assignment is official **ONLY** when it appears on Blackboard. HW assignments are given on Wednesdays. If there is no HW assignment on Blackboard by Thursday evening then there is no HW for the next week. Only typewritten (printed) homework will be graded.

All the HW assignments will be graded and their average score contributes 25% to your final **COURSE SCORE**. (See part E). The full solutions of the HW assignments are posted on Blackboard. The HW assignments should be done on Blackboard.

## D2. Exams:

<u>EXAM</u>	<u>DAY</u>	<u>DATE</u>	<u>ROOM</u>	<u>TIME</u>
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Exam I: TBD

Exam II: TBD

The exams are cumulative! The second exam covers all the material studied in the course. The exact pages and slide to be covered by each exam, as well as previous exams and their solutions will be posted on Blackboard before every exam. The questions on all exams are similar to the HW questions. They all are essay problems with calculations, graphs, table presentations and economic interpretations of the results. NO multiple choice and NO true/false questions appear on the exams.

## E. My grading system:

The **letter grade** in the course is based on your numerical **course score**. The Course Score is based on a weighted average of the exam scores and the HW assignments average as follows:

$$\begin{aligned}\text{Course score} = & \quad (.25)(\text{Average of HW scores}) \\ & + \quad (.35)(\text{Exam I score}) \\ & + \quad (.40)(\text{Exam II score})\end{aligned}$$

Example: HW (Average) = 95.  $S_I = 68$ ;  $S_{II} = 89$ .

$$\text{Course score} = (.25)(95) + (.35)(68) + (.40)(89) = 83$$

Once I have calculated your **Course score** I assign your **letter grade** based on my curve of the Course scores for the entire class. Only the **Course Score** is curved. (The individual exams' scores are NOT curved.) Usually, the average Course score of the entire class is around "B". Pluses and minuses are added at half standard deviation from the average.

In general the letter grades distribution is:

100	-	90	A	
89	-	87	A-	
86	-	77	B	(including +, , -)
76	-	67	C	(including +, , -)
66	-	56	D	(including +, , -)55

Finally, after I assign your **letter grade** I check the grade of every student individually, so as to be sure that the grade is appropriate and represents that student success in the home works and the exams.

## **Managing your progress in the course:**

1. All the HW assignments are graded on a weekly basis and their full solutions are posted on Blackboard. This practice allows you a weekly check of your understanding of the material and progress in the course.
2. After EXAM I you may assess your progress in the course by calculating your Partial Grade (PG) as follows:

$$PG = [(.25)(HW_{AV}) + (.35)(S_I)]/60.$$

Then, find where your Partial Grade falls in the letter grade distribution above.

## **H. A Caveat.**

The Bauer College of Business is proud of the high quality of our students and academic programs and recognizes the importance of academic honesty in maintaining our high standards. Please be aware that any violations of the University of Houston Academic Honesty Policy in this course will be taken very seriously and will invoke disciplinary procedures under the policy. All Home work assignments and exams in this class are INDIVIDUAL assignments and must be completed without assistance from others. Giving or receiving unauthorized assistance on home works or exams in this class constitute academic dishonesty under Articles 3.01(d), (f) and (g) of the Academic Honesty Policy. If you have any questions about the Policy, please consult the 2002-2003 Student Handbook or contact the Dean of Students Office (713) 743 5470.

