Futures and Options Markets and Trading (FIN229)

in 2010

This subject provides students with knowledge of futures and options products and markets including the structure of the markets, participants and the products used for managing risk and/or trading for profit. Students will gain the skills required to analyse, price and trade futures and options products.

Learning outcomes

At the completion of this subject students should be able to:

- Outline the structure and operation of the global futures and options markets.
- Describe the legal and regulatory framework of the futures and options markets.
- Implement and evaluate hedging, arbitrage and speculative trading strategies using futures contracts.
- Construct specific options trading strategies.
- Evaluate simple option pricing models and their uses in options trading.
- Monitor and evaluate market risk arising from open futures and options positions.
- Undertake market analysis.
- Explain the system of clearing and processing trades through the ASX and SFE.

Subject content

- Introduction to futures and options markets
- Futures trading and clearing processes
- Equity futures
- Interest rate futures — short-term
- Interest rate futures — long-term
- Commodity futures
- Options trading and strategies
- Options pricing
- Equity-based options
- Interest rate options

Assessment

Assessment Type	Assessed	Weighting
Assignment	Week 6	40%
Examination	Week 12	60%

Delivery method

Kaplan's delivery is primarily through distance education, supported by comprehensive print and online resources. Students will have access to subject notes, pre-recorded lectures, an online subject room, practitioner led discussion forums, online exercises, library and further resources.

Pre-requisites

Students enrolling in a Masters level elective subject are assumed to have the pre-requisite knowledge in the four core subjects (FIN111, FIN112, FIN113 and FIN114). This requirement can be waived where students are studying one or more core subjects concurrently with an elective, or they are studying single subjects and are not enrolled for the Masters, Graduate Diploma or Graduate Certificate courses. Students enrolling into an elective subject without having completed all core subjects should ensure that they have, or have access to, the pre-requisite or assumed knowledge required for successful completion of the elective subject. For further information on pre-requisite study contact a student adviser.

Kaplan recommends that you complete the following Kaplan Education subject (or have a thorough working knowledge of the content) prior to enrolling in this unit:

- Interest Rate Markets (FIN240)

Workload

This subject requires approximately 120 hours of student effort (11-12 hours per week). This includes time spent on activities such as: reading and review of course notes and other reading material, attending to or listening to live or pre-recorded lectures, participating in e-learning activities, and assessment preparation and review.

Reading list

The following list of references provides the student with key and additional reading material.

Prescribed text
There are no prescribed texts for this subject.

Additional readings:

Chance, D 2007, *An Introduction to Derivatives and Risk Management*, 7th edn., Thomson South Western

Hull, JC. 2008, *Options, Futures and Other Derivatives*, 7th edn., Prentice Hall.

McMillan, LG 2002, *Options as a Strategic Investment*, 4th edn., Prentice-Hall.