Business Administration

Course Number:	**BUAD 353**
Course Title:	**DERIVATIVE SECURITIES**
Credits:	3
Calendar Description:	This course discusses the valuation methods and hedging strategies of options, futures, swaps and other financial derivatives. It presents a balance of the institutional details, theoretical foundations, and practical applications.
Semester and Year:	**Winter 2015**
Prerequisite(s):	BUAD 350 and minimum third-year standing
Corequisites(s):	No
Prerequisite to:	No
Final Exam:	No
Hours per week:	3
Graduation Requirement:	Elective – BBA, Finance

Professor

Name	Phone number	Office	Email
Yunke He, PhD, CFA	762-5445 #4368	Kelowna: C143	yhe@okanagan.bc.ca

Learning Outcomes

Upon completion of this course, students will be able to:

- Understand the fundamentals of options, futures, swaps, and other derivative markets
- Demonstrate sufficient knowledge of the pricing mechanism of derivatives
- Trade derivatives as hedgers or speculators
- Formulate strategies in portfolio management using various derivatives

Notes

In order to pass this course, the student must obtain a weighted average of 50% or higher on two exams and quizzes. There will be no make-up or supplementary exams/quizzes. Class attendance is required and active class participation/contributions are expected.

Course Format

Lectures, in-class discussions, investment practice, reading assignments, and exams.

Investment Practice

The investment practice component requires students to participate in the StockTrak Global Portfolio Simulations. It is evaluated based on a written investment report and an oral presentation. The investment report should reflect Learning Outcomes listed in this course outline. It should include the following sections:

- One page executive summary including final holdings of the portfolio and the final rank in the competition
- The transaction history and justifications for each transaction (please provide company names, not just symbols)
- An essay stating what has been learned from the competition

Required Texts/Resources

Derivatives: An introduction (2nd ed.), R. A. Strong, Thomson South-Western (OC Course Pack).
Additional readings will be distributed in class or posted on Moodle.

Course Schedule

Date		Topic	Textbook
		Mon. Jan 5 Classes begin Family Day Feb 9 & Feb 10 to 13 Reading Break – no classes Good Fri. Apr 3 & Easter Mon. Apr 6 – no classes Tues. Apr 14 Last day of regularly scheduled classes	Strong Text
Jan	9	Introduction Basic Principles of stock Options	Ch 1, 2
	16	Basic Option Strategies: Covered Calls and Protective Puts Options Combinations and Spread	Ch 3, 4
	23	Options Pricing	Ch 5
	30	The Black-Scholes Options Pricing Model Options Greeks	Ch 6, 7
Feb	6	Exam 1 Fundamentals of the Futures Market	Ch 8
	9 - 13	READING BREAK (no classes)	
	20	Fundamentals of the Futures Market (continued) Stock Index Futures	Ch 8, 9
	27	Stock Index Futures (continued) Foreign Exchange Futures	Ch 9, 10
Mar	6	Fundamentals of Interest Rate Futures	Ch 11
	13	Futures Contracts and Portfolio Management Swaps and Interest Rate Options	Ch 12, 13
	20	Other Derivative Assets Financial Engineering and Risk Management	Ch 15 Ch 16
	27	Contemporary Issues Exam 2	Ch 17
	3	Good Friday (no classes)	
	10	Investment Practice Presentations Investment Report Due	
Apr	6		
	13		
Apr	17 - 25		

SKILLS ACROSS THE BUSINESS CURRICULUM

The Okanagan School of Business promotes core skills across the curriculum. These skills include reading, written and