Economics 136
... navigating to the Island

... using puts, calls, futures contracts, entrepreneurial thrusts, strategies and models as a type of kayak ...
Your instructor

• **Prof. Gary R. Evans**
  • Background/interests in macroeconomics, policy, finance, and entrepreneurship
  • Trades markets heavily, manages portfolios
  • Believes that poker and competitive games like golf enhance trading skills
  • At Mudd since 1981
  • Contact info:
    – [garyrevans@gmail.com](mailto:garyrevans@gmail.com)
  • Twitter trading information
    – PITraders

http://www2.hmc.edu/~evans/hmcgre.html
Primary course objectives

- Make students comfortable in the exotic world of derivatives and valuation
- Encourage students to think about hedging and other methods of altering risk
- Provide both a quantitative and qualitative basis for analysis – look at some interesting models
- Encourage students to think of career opportunities in finance (hedge funds, analysts, etc.)
Calendar of topics (roughly ... see CC)

- Continuous growth rates
- Basics of value and risk, elementary modeling
- Futures modeling, including index, forex, interest, various commodity
- Hedging, arbitrage, and contango, spread trades
- Options and option strategies
- Stochastic modeling
- Options pricing models
- Volatility and advanced risk estimates
- Advanced YBFA and interest rate theory
- CMO/CDO design
- Swaps and swap design and pricing
Reading material

• Texts (optional and reference only):
  *Options, Futures, and Other Derivatives, 8th edition*, by John C. Hull, Pearson/Prentice Hall, 2008, ISBN 0136015867. [Do not buy until this is discussed in lecture, and do not buy new].

• Some online reading,

• Supplemental iff you want to go to work for a hedge fund:
Change in Mission and Mottoes ...

The old motto:

We strive to exercise the greatest amount of power with the least amount of effort from the smallest possible spot.

The new motto:

We are sailing to the Island. We will defend the Island against the inhabitants of the Swamp.

Limor Fried, Arduino