Economics 136
... navigating to the Island

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

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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
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    - [garyrevans@gmail.com](mailto:garyrevans@gmail.com)
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http://www2.hmc.edu/~evans/hmcre.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):
  
  *[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.