

FINANCIAL DERIVATIVES

IV Semester: MBA								
Course Code	Category	Hours / Week			Credits	Maximum Marks		
CMBB58	Elective	L	T	P	C	CIA	SEE	Total
		4	-	-	4	30	70	100
Contact Classes: 45	Tutorial Classes: 00	Practical Classes: Nil				Total Classes: 45		
OBJECTIVES: The course should enable the students to: <ol style="list-style-type: none"> I. Understand fundamental linkages between spot markets and derivative markets and uses and misuses of derivatives. II. Apply knowledge about basic option strategies, advanced option strategies, trading with options, hedging with options, currency options. III. Analyze the commodity futures and options and swaps for the effectiveness of derivative markets. IV. Evaluate the role of swaps in terms of interest rate, currency, commodity, equity index, credit risk and credit. 								
COURSE OUTCOMES (COs): <ol style="list-style-type: none"> 1. Understand the development and growth of derivative markets, types and uses of derivatives. 2. Examine the fundamental linkages between spot and derivatives market and role of derivative market. 3. Demonstrate the structure of forward and future markets and know the mechanics of future markets hedging strategies. 4. Elucidate the determination of forward, future prices, interest rates of currency futures and forwards. 5. Analyze the concept, structure and principles of option pricing and know the differences between options market and future market. 6. Explain the option pricing models like binomial model, the black model and scholes merton model. 7. Interpret the basic option strategies, advanced option strategies, trading with options and currency options. 8. Ability to gain the knowledge in different types of commodity futures and options. 9. Classify various types of swaps commodity exchanges, multi commodity exchange; national commodity derivatives exchange role, functions and trading. 10. Explain the concept and nature, evolution of swap market and features of swaps. 11. Differentiate major types of swaps like interest rate swaps, equity index swaps, credit risk in swaps credit swaps pricing and valuing swaps. 								
UNIT-I	INTRODUCTION TO DERIVATIVES						Classes: 09	
Development and growth of derivative markets, types of derivatives uses of derivatives, fundamental linkages between spot and derivative markets, the role of derivatives market, uses and misuses of derivatives.								
UNIT-II	FUTURE AND FORWARD MARKET						Classes: 09	
Structure of forward and future markets, mechanics of future markets hedging strategies, using futures, determination of forward and future prices, interest rate futures currency futures and forwards.								
UNIT-III	BASIC OPTION STRATEGIES						Classes: 09	
Options, distinguish between options and futures, structure of options market, principles of option pricing.								
Option pricing models: the binomial model, the black, schools merton model. Basic option strategies, advanced option strategies, trading with options, hedging with options, currency options.								
UNIT-IV	COMMODITY MARKET DERIVATIVES						Classes: 09	
Introduction, types, commodity futures and options, swaps commodity exchanges multi commodity exchange, national commodity derivative exchange role, functions and trading.								
UNIT-V	SWAPS						Classes: 09	
Concept and nature, evolution of swap market, features of swaps, major types of swaps, interest rate swaps, currency swaps, commodity swaps, equity index swaps, credit risk in swaps, credit swaps, using swaps to manage risk, pricing and valuing swaps.								

Text books
<ol style="list-style-type: none"> 1. John C Hull, “Options, Futures and Other Derivatives”, Pearson Education, 8th Edition, 2012. 2. Robert A Strong, “Derivatives an Introduction”, Thomson, 1st Edition, 2012. 3. Gupta, “Financial Derivatives”, PHI, 1st Edition, 2012.
Reference books
<ol style="list-style-type: none"> 1. Dubofsky, Miller, “Derivatives Valuations and Risk Management”, Oxford, 1st Edition, 2012. 2. Don M. Chance, Robert Brooks, “Derivatives and Risk Management Basic”, Cengage Learning, 9th Edition, 2012. 3. Sundaram Das, “Derivatives Principles and Practice”, McGraw Hill, 1st Edition, 2012.
Web References
<ol style="list-style-type: none"> 1. https://bookboon.com/en/derivative-markets-an-introduction-ebook 2. http://Campus_guides.lib.utah.edu
E-Text Books
<ol style="list-style-type: none"> 1. http://www.pondiuni.edu.in/sites/default/files/downloads/Financial-derivatives-260214.pdf 2. http://www.freemagagement.com 3. http://www.emeraldinsight.com