

## FINANCIAL DERIVATIVES

IV Semester: MBA								
Course Code	Category	Hours / Week			Credits	Maximum Marks		
CMBC52	Elective	L	T	P	C	CIA	SEE	Total
		4	-	-	4	30	70	100
<b>Contact Classes: 45</b>	<b>Tutorial Classes: Nil</b>	<b>Practical Classes: Nil</b>			<b>Total Classes: 45</b>			
<p><b>I. COURSE OVERVIEW:</b> The objective of this course is to make efficient in the area of Derivatives, such as Forwards, Future Markets, Swaps and Option Strategies. It give understanding about the derivatives in stock,commodity and Forex markets with changes in interest rates, exchange rates, stock prices, commodityprices, inflation, weather, etc.</p> <p><b>II COURSE OBJECTIVES:</b> <b>The students will try to learn:</b></p> <ol style="list-style-type: none"> <li>I. Fundamental linkages between spot markets and derivative markets and uses and misuses of derivatives.</li> <li>II. Future and forward market and determination of future and forward market prices, interest rate.</li> <li>III. About basic option strategies, advanced option strategies, trading with options, hedging with options, currency options.</li> <li>IV. The commodity futures and options and swaps for the effectiveness of derivative markets.</li> <li>V. The role of swaps in terms of interest rate, currency, commodity, equity index, credit risk and credit.</li> </ol> <p><b>III. COURSE OUTCOMES:</b> <b>After successful completion of the course, students will be able to:</b></p> <ul style="list-style-type: none"> <li><b>CO 1:</b> Summarize the development and growth of derivative markets, types and uses of derivatives</li> <li><b>CO 2:</b> Examine the fundamental linkages between spot and derivatives market and role of derivative market.</li> <li><b>CO 3:</b> Demonstrate the structure of forward and future markets and know the mechanics of future markets hedging strategies.</li> <li><b>CO 4:</b> Elucidate the determination of forward, future prices, interest rates of currency futuresand forwards.</li> <li><b>CO 5:</b> Analyze the concept, structure and principles of option pricing and know the differences between options market and future market.</li> <li><b>CO 6:</b> Explain the option pricing models like binomial model, the black model and Scholes merton model.</li> <li><b>CO 7:</b> Interpret the basic option strategies, advanced option strategies, trading with options and currency options.</li> <li><b>CO 8:</b> Ability to gain the knowledge in different types of commodity futures and options.</li> <li><b>CO 9:</b> Classify various types of swaps commodity exchanges, multi commodity exchange; national commodity derivatives exchange role, functions and trading.</li> <li><b>CO 10:</b> Differentiate major types of swaps like interest rate swaps, equity index swaps, credit risk in swaps credit swaps pricing and valuing swaps.</li> </ul>								
<b>IV. SYLLABUS</b>								
<b>UNIT-I</b>	<b>INTRODUCTION TO DERIVATIVES</b>							<b>Classes: 09</b>
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.								
<b>UNIT-II</b>	<b>FUTURE AND FORWARD MARKET</b>							<b>Classes: 09</b>
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.		
<b>UNIT-III</b>	<b>BASIC OPTION STRATEGIES</b>	<b>Classes: 09</b>
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.		
<b>UNIT-IV</b>	<b>COMMODITY MARKET DERIVATIVES</b>	<b>Classes:09</b>
Introduction, types, commodity futures and options, swaps commodity exchanges multi commodityexchange, national commodity derivative exchange role, functions and trading.		
<b>UNIT-V</b>	<b>SWAPS</b>	<b>Classes: 09</b>
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, usingswaps to manage risk, pricing and valuing swaps.		
<b>Text Books:</b>		
<ol style="list-style-type: none"> <li>1. Neil C. Schofield “Commodity Derivatives Markets and Applications”, 2021.</li> <li>2. C. Hull John. “Fundamentals of Futures and Options Markets“, 1<sup>st</sup> January 2018.</li> <li>3. Patrick Boyle “Trending and pricing Financial Derivatives: A Guide to Futures, Options, and Swaps”, 17<sup>th</sup> 2018.</li> <li>4. Wiley Finance “Derivatives Essentials: An Introduction to Forwards, Futures, Options and Swaps”, September 2016.</li> <li>5. Dubinsky, Miller,” Derivatives Valuations and Risk Management”, Oxford, 1<sup>st</sup> Edition, 2012.</li> <li>6. Don M. Chance, Robert Brooks,” Derivatives and Risk Management Basic”, Cengage Learning, 9<sup>th</sup> Edition, 2012.</li> </ol>		
<b>Reference Books:</b>		
<ol style="list-style-type: none"> <li>1. Sundaram Das,” Derivatives Principles and Practice”, McGraw Hill, 1<sup>st</sup> Edition, 2012.</li> <li>2. John C Hull, “Options, Futures and Other Derivatives”, Pearson Education, 8<sup>th</sup> Edition, 2012.</li> <li>3. Robert A Strong, “Derivatives an Introduction”, Thomson, 1<sup>st</sup> Edition, 2012.</li> <li>4. Gupta,” Financial Derivatives”, PHI, 1<sup>st</sup> Edition, 2012.</li> </ol>		
<b>Web References:</b>		
<ol style="list-style-type: none"> <li>1. <a href="https://bookboon.com/en/derivative-markets-an-introduction-ebook">https://bookboon.com/en/derivative-markets-an-introduction-ebook</a></li> <li>2. <a href="https://en.wikipedia.org/wiki/Book:Financial_Derivatives">https://en.wikipedia.org/wiki/Book:Financial_Derivatives</a></li> </ol>		
<b>E-Text Books:</b>		
<ol style="list-style-type: none"> <li>1. <a href="http://www.pondiuni.edu.in/sites/default/files/downloads/Financial-derivatives-260214.pdf">http://www.pondiuni.edu.in/sites/default/files/downloads/Financial-derivatives-260214.pdf</a></li> <li>2. <a href="http://down.cenet.org.cn/upfile/10/2007188195141.pdf">http://down.cenet.org.cn/upfile/10/2007188195141.pdf</a></li> <li>3. <a href="http://polymer.bu.edu/hes/rp-hull12.pdf">http://polymer.bu.edu/hes/rp-hull12.pdf</a></li> <li>4. <a href="https://www.amazon.in/dp/B01FFRTZW6/ref=cm_sw_r_apan_glt_T3GT8DYS9DPTKE0H5T">https://www.amazon.in/dp/B01FFRTZW6/ref=cm_sw_r_apan_glt_T3GT8DYS9DPTKE0H5T</a>.</li> <li>5. <a href="https://www.amazon.in/dp/B00K7YG27O/ref=cm_sw_r_apan_glt_FJ3Z3G106SD6GWZH0Y">https://www.amazon.in/dp/B00K7YG27O/ref=cm_sw_r_apan_glt_FJ3Z3G106SD6GWZH0Y</a>.</li> <li>6. <a href="https://ebooks.lpude.in/commerce/mcom/term_4/DCOM510_FINANCIAL_DERIVATIVES.Pdf">https://ebooks.lpude.in/commerce/mcom/term_4/DCOM510_FINANCIAL_DERIVATIVES.Pdf</a></li> </ol>		