COURSE SYLLABUS
FINAN 451 – Frontiers in Financial Markets – Spring 2018
Sec. 001 – T/Th 10:30 - 11:45 AM, MBEB 2010
Sec. 002 – T/Th 1:30 - 2:45 PM, MBEB 2010

Instructor: Eddy Yongjia Li
Office: MBEB 2208
Phone: 426-3478
Email: eddyli@boisestate.edu
Office hours: T/Th 3:00-4:30 PM or by appointment

Course Learning Objectives
• To be able to identify, define and understand the rights and obligations of the parties to a derivative contract.
• To understand the markets where derivative contracts are traded.
• To understand and be able to apply derivative valuation models.
• To understand and be able to evaluate derivative trading strategies.
• To understand and be able to apply risk management strategies with derivative contracts.

Textbook

The course format will be lecture/discussion. The amount of material to be covered will cause us to move relatively quickly through difficult concepts. You are encouraged to read the relevant material in the book before it is presented in class and ask any questions as they arise.

COBE Core Curriculum - Student Learning Goals and Objectives
Students in this class will learn or practice the COBE Core Curriculum concepts, methods, and skills detailed below.
• Understand and apply analytical and discipline concepts and methods related to business and economics:
  o Economics
  o Finance
  o Information Technology Management
  o International Environment of Business
  o Legal Environment of Business
  o Mathematics and Statistics
• Communicate effectively: Write messages and documents that are clear, concise, and compelling
• Solve problems, including unstructured problems, related to business and economics
• Resolve ethical issues related to business and economics

Problem Sets
Problem sets and answers are posted on blackboard and any questions about the problem sets can be discussed in class or during office hours. The problem sets are designed to give you practice working the types of problems you will see on the homework and exams.
Quizzes and Homework
- There will be several in-class quizzes throughout the semester.
- There will be five homework sets. They will be posted on the Blackboard site with due dates. No late homework will be accepted. The homework can be done and turned in as an Excel spreadsheet or by hand calculation. (Homework is an essential part of the learning process. You need to work actively with the material and practice with the problems.)

Exams
- There are two midterm exams (non-comprehensive) and a final exam (non-comprehensive). The exams are not comprehensive per se, in that I will not directly ask you questions on exam 2 pertaining to material that we covered for exam 1, but the course does build upon itself.
- The material covered on each test is specified in the outline below. The two midterm exams will be announced in advance.
- All exams are mandatory. Early final exam will not be given. Make your travel plans accordingly.

Grading
Your final overall course grade will be calculated as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Points</th>
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</thead>
<tbody>
<tr>
<td>In-class Quizzes and Homework</td>
<td>100</td>
</tr>
<tr>
<td>Exam 1</td>
<td>100</td>
</tr>
<tr>
<td>Exam 2</td>
<td>100</td>
</tr>
<tr>
<td>Exam 3 (final exam)</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>400</strong></td>
</tr>
</tbody>
</table>

Standard university grading scales apply, i.e.,

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A</td>
<td>&gt;= 90%</td>
</tr>
<tr>
<td>B</td>
<td>80% - 90%</td>
</tr>
<tr>
<td>C</td>
<td>70% - 80%</td>
</tr>
<tr>
<td>D</td>
<td>60% - 70%</td>
</tr>
<tr>
<td>F</td>
<td>&lt; 60%</td>
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(>= 360 points) (320 – 360 points) (280 – 320 points) (240 – 280 points) (< 240 points)

We will use the +/- grading system for the class, i.e.,

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>A+</td>
<td>(100%-97%)</td>
</tr>
<tr>
<td>A</td>
<td>(97%-93%)</td>
</tr>
<tr>
<td>A-</td>
<td>(93%-90%)</td>
</tr>
<tr>
<td>B+</td>
<td>(90%-87%)</td>
</tr>
<tr>
<td>B</td>
<td>(87%-83%)</td>
</tr>
<tr>
<td>B-</td>
<td>(83%-80%)</td>
</tr>
</tbody>
</table>

etc.

Request for Accommodations
Per the EAC: Students needing accommodations to fully participate in this class should contact the Educational Access Center (EAC). All accommodations MUST be approved through the EAC. Please stop by our offices located inside the Lincoln Garage, right across from the Student Union Building or call 208-426-1583 to make an appointment with an access coordinator. To learn more about the accommodation process, visit our website at http://eac.boisestate.edu

Academic Integrity
In order to create a safe space for learning, I expect each of us to exhibit behavior that reflects Boise State’s Statement of Shared Values (http://deanofstudents.boisestate.edu/statement-of-shared-values/) and is characterized by Academic Excellence Caring Citizenship Fairness Respect Responsibility Trustworthiness. In addition, students in this course are expected to uphold standards outlined in the Boise State University Student Code of Conduct (http://deanofstudents.boisestate.edu/student-code-of-conduct/). In particular, cheating (e.g., using or providing unauthorized assistance, among other behaviors) is expressly forbidden in Article 4 of the code.
Final Thoughts

- **Check the Blackboard site frequently for updates.** “I didn’t see the blackboard announcement,” is not a valid excuse for missing important course information.
- **This course will require constant effort for most students.** Keep up by reading and attempting the assignments from the very beginning. If you have difficulty with the assignments bring them up in class and we will discuss them.
- **Attend class and be on time to class.** Class sessions are an opportunity to have the material explained more formally, raise questions, work problems, etc. You will get more out of the course and do better grade-wise.
- **Read the material.** Gaining an in-depth understanding of finance concepts can be difficult at times. If you can manage it, read the material before lecture, attend lecture, and then re-read the material afterwards. This is where the light bulb goes on and you will better understand the concepts of the course.
- **Get involved.** Asking questions in class will not only facilitate your own understanding it will also help your fellow student’s. In a class of 40+ students any question you might have is also likely a question shared by at least one other. Your questions during the lecture and during office hours are highly encouraged.

Disclaimer
The professor reserves the right to make necessary changes to the syllabus throughout the semester.

Preliminary Course Outline

- CHAPTER 1 Introduction
- CHAPTER 2 Structure of Derivatives Markets
- CHAPTER 3 Principles of Option Pricing
- CHAPTER 4 Option Pricing Models: The Binomial Model

Exam 1 - Chapters 1-4 (Time TBA)

- CHAPTER 5 Option Pricing Models: The Black–Scholes–Merton Model
- CHAPTER 6 Basic Option Strategies
- CHAPTER 7 Advanced Option Strategies

Exam 2 - Chapters 5-7 (Time TBA)

- CHAPTER 8 Principles of Pricing Forwards, Futures, and Options on Futures
  (including Forwards and Futures intro in CHAPTER 2)
- CHAPTER 9 Futures Arbitrage Strategies
- CHAPTER 10 Forward and Futures Hedging, Spread, and Target Strategies

Exam 3 - Chapters 8-10

Sec. 001: Thursday, May 3, 10:00 a.m.–12:00 p.m.

Sec. 002: Thursday, May 3, 12:30 p.m.–2:30 p.m.

The days each chapter is covered will depend on the speed at which the material is covered in class. I want to allow for flexibility. If you are reading the chapters in advance of them being covered in class as encouraged, you will be able to tell when we are approaching the end of a chapter and therefore when to read the next one.