

Mudd Finance

Economics 136

... navigating to the Island

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



Mudd Finance

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:
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- Twitter trading information
 - **PITraders**



<http://www2.hmc.edu/~evans/hmcgre.html>

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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.)

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Calendar of topics (roughly ... see CC)

- Futures: the basics
- Basics of value and risk, elementary modeling
- Interest rate pricing models
- Hedging, arbitrage, and backwardation
- Financial, foreign currency, and index futures
- Options and option strategies
- Volatility and advanced risk estimates
- Swaps
- Derivatives modeling
- CMOs and other credit derivatives

Discuss exam policy here.

Reading material


- Texts:
 - Options, Futures, and Other Derivatives, 7th edition*, by John C. Hull, Pearson/Prentice Hall, 2008, ISBN 0136015867. **[Do not buy until this is discussed in lecture, and do not buy the 8th].**
- Some online reading,
- Supplemental iff you want to go to work for a hedge fund:
 - Elementary Stochastic Calculus with Finance in View*, by Thomas Mikosch, World Scientific, 2006, ISBN 789810235437.
 - Value at Risk, 3rd edition*, Philippe Jorion, McGraw Hill, ISBN 0071464956 (3rd edition is being released October 1, 2006)

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ECON: 136



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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.



Limor Fried, Arduino

The new motto:

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

