Programme: M. A. Economics

Course Code: ECO 127 PRACTICE Title of the Course: OPTIONS: THEORY &

indicited.

Number of Credits: 4

Total Contact Hours:48

Effective from AY: 2018-19

Dronoquisitos for	Pagia knowledge of Concents in Financial Factorias	
Prerequisites for	Basic knowledge of Concepts in Financial Economics	
the course:		
<u>Objective:</u>	This course is unique and practical oriented. The objective is	Contact
	to acquaint the students the actual skills of using options	Hours
	theory in various real life situations.	
Content:		
	1. The basics of options	10
	The need for options – Introduction to different types of	
	options - stock options index options currency options etc	
	Characteristics of ontions : call ontions, nut ontions, European	
	and A manison I and call antions and nut antions. Short call	
	and American, Long can options and put options, Short can	
	options and put options. Advantages of options compared to	
	futures, forwards and stocks.	
	2. Pricing of options	08
	Factors affecting the price of the options. Intrinsic value and	
	Extrinsic value. Options status relative to the underlying asset	
	: In the money (ITM) At the money (ATM), Out of the money	
	(OTM).	
	3. Option valuations	10
	Theoretical values of option, Black-Scholes options pricing	
	model.Option Greeks : variables that affect the options values	
	– Delta, Gamma, Theta, Rho, Vega,	
	4 Ontions strategies	10
	Different strategies of ontions for bullish bearish and neutral	10
	market situations. Bullish strategies : long calls and short puts	
	hull coll anneads and mut anneads. Datis call anneads	
	Deniel strete in a long write all of the spreads.	
	Bearish strategies : long puts, short calls bear put spreads,	
	Neutral strategies : covered call writing, straddles, strangles,	
	butterfly.	10
	5. Applications of Options	10
	The functioning of the option market : stock options, index	
	options, currency options,	
	commodity options	
Pedagogy:	lectures/ case analysis/assignments/class room interaction/	
	analysing live options markets in the real time.	
References/Read		
ings	• Burghardt, Galen, (2003). The Eurodollar Futures and	
	Options Handbook, McGraw-Hill.	
	• Figlewski, S., W. Silber and M. Subrahmanyam	

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	 (1990), Financial Options, : FromTheory to Practice, Business One Irwin. Gastineau, G. L., (1988), The Stock Options Manual, 3rd edition, McGraw-Hill. Graeme Guthrie,(2009) Real Options in Theory and Practice, Oxford University Press. Hull, J., (2012), Options, Futures and Other Derivative Securities, 8yj edition. Jarrow, R. A. And A. Rudd, (1983), Option Pricing, Dow Jones – Irwin. McMillan, L.G.,(1993), Options as a Strategic Investment, 3rd edition, New York Institute of Finance. Natenberg, S., (1994), Options Volatility and Pricing : Advanced Trading Techniques, 2nd edition, Probus. Sheldon Natenberg, (1994) Option Volatility & Pricing : Advanced Trading Strategies and Techniques, McGraw-Hill. Stoll, H. And R. Whaley, (1993), Futures and Options : Theory and Application, Thomson South Western Taleb, Nassim, (1997), Dynamic Hedging : Managing Vanilla and Exotic Options, Wiley. 	
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<u>Outcomes</u>	The students will be able to understand and analyse the options in Indian markets and will be in a position to analyse financial options, currency options and commodity options.	