

Only one submission  
assignment



**ASSIGN  
BUSTER**

Is required for each group. Late Penalty: The late penalty for the assignment is 10 percent of the full mark per day for each day the assignment is late.

Including weekends and public holidays. Other Penalties: The penalty for groups of more than 7 students is 50% deduction of the total mark received.

Total 15 marks Part 1: Hedging with Futures Assume that you are holding a portfolio of S&P index and consider using the S&P 500 index futures

contracts to hedge the portfolio risk.

Determine your hedging strategy and discuss how to implement your strategy

(note that the contract information of the S&P 500 index futures can be

found at the CME website). Data file can be downloaded from the course

Blackboard under the Project folder. The file contains daily prices of S&P 500

index and S&P 500 index futures. Part 2: Trading Options Go to

YahooFinance <http://finance.yahoo.com/> and click on the Dow Jones,

NASDAQ (on the top panel). Then click on components on the left panel. You

can see a list of stocks in the "Symbol" column.

When you click on any stock, you will get basic information on the stock.

Among them, Market Cap is the one you need to use to select stocks. You

need to select three stocks (a stock with market capitalization more than

\$10 billion, a stock with market capitalization between \$10 billion and

\$500 million and a stock with market capitalization less than \$500 million)

whose options are reasonably actively traded. Click on a stock and then click

on options on the left panel, you will get the prices of calls and puts.