Lecture Notes 16

Forwards and Futures

I. Readings and Suggested Practice Problems

II. Forward Contracts

III. Futures Contracts

IV. Forward-Spot Parity

V. Stock Index Forward-Spot Parity

VI. Foreign Exchange Forward-Spot Parity

VII. Swaps

VIII. Additional Readings

Buzz Words: Hedgers, Speculators, Arbitrageurs, Cost of Carry, Convenience Yield, Stock Index Arbitrage, Floating vs. Fixed Rates
I. **Readings and Suggested Practice Problems**

BKM, Chapter 22, Section 4.

BKM, Chapter 23.

BKM, Chapter 16, Section 5.

*Suggested* Problems, Chapter 22: 13; Chapter 23: 3, 25.