

**FUTURES MARKETS
ABIZ 3120**

Fall 2021 Outline

Instructor: Dr. Milton Boyd, 357 Agriculture Building (Ph. 204-474-6031). Email: Milton.Boyd@umanitoba.ca (Important: Students will be emailed information regarding the course operation. If a student did not receive an email regarding the course by Sept 17, then they should send an email to the above email address in order to be added to the course email list). Note: This course outline, course operation, lecture, assignments, exams, and grading procedure may be subject to change at any time, given that the course is being offered remotely, and given that the virus situation is uncertain.

Course Operation: Course delivered remotely.

Course Objective: The objectives and learning outcomes include equipping students with futures and options knowledge, and to have students understand and apply concepts regarding futures and options markets to the firm/industry.

Prerequisites: Introductory courses in Economics, Math, and Statistics

Texts: 1) (Required) Kolb, Robert W. and James Overdahl Understanding Futures Markets 6th ed., Blackwell, 2006. Not available electronically.

Library

Reserve: 2) (Optional) Loyns A., M.S. Boyd and C. Carter., Using Futures and Options Contracts to Hedge, Winnipeg Commodity Exchange, 1998. Not available electronically.

Office Hours: To be determined

Reserve Readings: Some readings for further interest beyond the text are on reserve in the Library. (Not available electronically)

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| Grading: | Mid-term Exam (Monday Oct 18 6pm) | 40% |
| | Final Exam (date to be announced later) | 40% |
| | Futures Trading Assignment (done in a group, due Oct 4) | 10% |
| | Hedging Assignment (done individually, due Dec 6) | <u>10%</u> |
| | | 100% |

Other: Late assignments will not be accepted, except at the instructor's discretion. Missed exams receive zero. University policy strictly prohibits "plagiarism and cheating," as outlined in the Undergraduate Calendar. Class lecture and materials are the property of the instructor, and it is illegal (copyright violation) for students to transfer these materials to parties outside the class or post on the internet. Items/information will be emailed to students and they must have a working University of Manitoba email address with sufficient mailbox space.

LECTURE TOPICS AND READING ASSIGNMENTS (tentative)

I. **Introduction**

(Ch.1-2 Kolb)

- A. Futures Trading Assignment Explanation
- B. Past Price Behaviour Overview
- C. Reading Futures Prices
- D. The Increased Use of Futures Markets
- E. Working with a Broker; Types of Orders
- F. Futures Markets Basics, Futures versus Forward Markets, Regulation

II. **Futures Price Mechanics and Concepts**

(Ch.3 Kolb, but skim pp.111-122 and skim pp.133-134, Ch.5 Kolb)

- A. Volume
- B. Open Interest
- C. Carrying Charges
- D. Basis
- E. Convergence
- F. Spreads
- G. Normal Backwardation and other Hypotheses

III. **Using Futures Markets**

(Ch.4 Kolb pp. 147-168)

- A. Price Discovery and Forecasting
- B. Types of Speculators and Traders
- C. Technical Trading and Investment Funds
- D. Tests and Evidence of Market Efficiency

IV. **Technical Analysis**

(class notes – no assigned reading)

- A. Introduction: Technical versus Fundamental Analysis
- B. Trending/Anti-trending
- C. Moving Averages
- D. Channel
- E. Relative Strength Index
- F. Charting
- G. Capital Management
- H. Investment Tips

V. **Hedging**

(Ch. 4 Kolb pp.169-189)

- A. Introduction
- B. Reasons for Hedging
- C. True versus Selective Hedge
- D. Long and Short Hedge Examples
- E. Who Should Hedge?
- F. Hedging versus Forward Contracting
- G. Cross Hedging
- H. Hedging Tips

VI. **Options**

(Ch.12,13 Kolb)

- A. Calls
- B. Puts
- C. Strategies
- D. Valuation (Black-Scholes Model)
- E. Hedging with Options

VII. **Financials, Currencies, and Stock Indices**

(Kolb Ch. 6,7,8,9,10,11)

- A. Financials
- B. Currencies
- C. Stock Indices

REFERENCES

(Most of the references below will be on reserve or reference in Agriculture Library)

- Barrie, Scott. Options and Futures. Alpha Books, latest edition.
- Besant, L. Commodity Trading Manual, Chicago Board of Trade, latest edition.
- Loyns, A., M.S. Boyd, and C. Carter. Using Futures and Options to Hedge, Winnipeg Commodity Exchange, 1998.
- Cohen, Jerome B., Edward P. Zinbarg and Arthur Zeikel. Investment Analysis and Portfolio Management, latest edition, Irwin, Homewood, Illinois.
- Commodity Research Bureau. Commodity Yearbook, CRB, Jersey City, N.J., , latest edition.
- Haugen, Robert A. Modern Investment Theory, Prentice-Hall, Englewood Cliffs, N.J.,
- Kolb, Robert W. Understanding Futures Markets. Blackwell Publishers, Cambridge, MA, latest edition.
- Kaufman, Perry J. Handbook of Futures Markets, John Wiley & Sons, New York, latest edition.
- Kaufman, Perry J. New Commodity Trading Systems and Methods, John Wiley & Sons, New York, latest edition.
- Labuszewski, John W. Inside the Commodity Options Market, John Wiley & Sons, New York, latest edition.
- Lindert, Peter H. International Economics, Irwin, Homewood, Illinois, latest ed.
- Schwager, Jack D. Fundamental Analysis, John Wiley & Sons, New York, latest edition.
- Schwager, Jack D. Technical Analysis, John Wiley & Sons, New York, latest edition
- Teweles, Richard J., Charles V. Harlow and Herbert L. Stone. The Commodity Futures Game, McGraw-Hill, New York, latest edition.
- Tomek, W.G. and K.L. Robinson. Agricultural Product Prices, Cornell University Press, Ithaca, NY, latest edition.
- Williams, Willard F. and Thomas T. Stout. Economics of Livestock and Meat Industry, MacMillan, Toronto, 1971.