

**FUTURES MARKETS
ABIZ 3120**

Fall 2023 Outline

- Instructor:** Dr. Milton S. Boyd, 357 Agriculture Building (Ph. 474-6031)
- Course Time:** Monday evenings, 6-9pm, fall term, 3 credits
- Office Hours:** Following each class or by appointment
- 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.
 - 2) (Optional) Loyns A., M.S. Boyd and C. Carter., Using Futures and Options Contracts to Hedge, Winnipeg Commodity Exchange, 1998.
- Library Reserve:
- Readings:** Course readings/references are optional, in Agriculture/Science Library.
- Grading:**
- | | |
|----------------------|------------|
| First Exam (Oct 23) | 40% |
| Second Exam | 40% |
| Assignments | 10% |
| Trading Game | <u>10%</u> |
| | 100% |
- Exams:** The two exams are closed book, and with some problems requiring calculation. **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. Attendance is required, and insufficient attendance may result in students being barred from exams. Turn off cell phone, no photos, no text messaging, no emailing etc, remain seated during lecture and no talking, no arriving late or leaving early. Students must maintain professional and respectful classroom environment, and must show utmost respect for classmates and the instructor, and students showing disrespect will risk being barred from the class. Class lecture and materials are the property of the instructor, and it is illegal (copyright violation) for students to transfer these to parties outside the class or post on the internet. If a student must miss class for medical reasons or other reasons, they are responsible for obtaining any assignments, lecture notes, handouts, announcements, or other information/materials from their classmates. Items/information may be emailed to students and they must have a correct and working email address with sufficient mailbox space, or else must get missing information from classmates.

LECTURE TOPICS AND READING ASSIGNMENTS (tentative)

I. **Introduction**

(Ch.1-2 Kolb)

- A. Trading Game 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

(Agriculture/Science Library, and some may be on reference or reserve, but not electronic)

- 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.