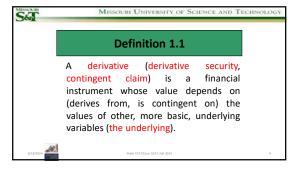
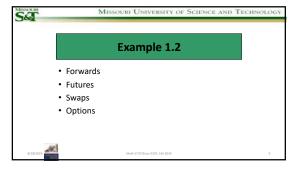
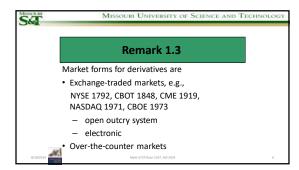


. 2

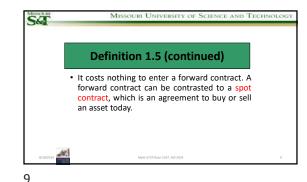












Suppose that

The spot price of % oz gold is \$300

The 1-year forward price of % oz gold is \$340

The 1-year interest rate is 5% p.a.

Example 1.6 (b)

Suppose that

• The spot price of % oz gold is \$300

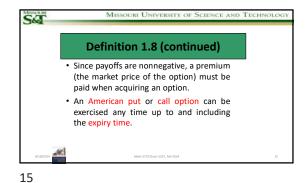
• The 1-year forward price of % oz gold is \$310

• The 1-year interest rate is 5% p.a.

10 11 12







13 14

Suppose an investor owns 1000 Microsoft shares on August 14, 2024, \$416 per share is the current price. Suppose the investor is concerned about a possible share price decline in the next 2 months and wants protection. The investor could buy 10 put option contracts with strike price \$410 and expiration time October 20, 2024. Assume each option price is \$10. Ignore the time value of money.

Example 1.10

On August 14, 2024, European calls on Microsoft stock with K=320 USD and T=October 18, 2024 were traded at 20.58 USD at NASDAQ. Ignoring the time value of money, when will the investment bring profit?

16 17