

Team 2B

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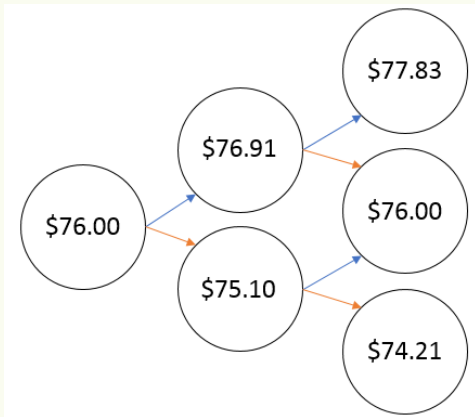
📍: LKCSB 5036

November 14, 2017

Saw Xun Yi Angus

An underlying asset's current price is \$76.00. A call option of strike price \$75.50 is maturing in 30 days. Given that the risk-free rate is 1%, what is the hedging ratio required to make the asset value indifferent to the up or down outcome?

- (A) 0.65
- (B) 0.82
- (C) 0.87
- (D) 1.08



Siti Nurhayati Binti Rahim

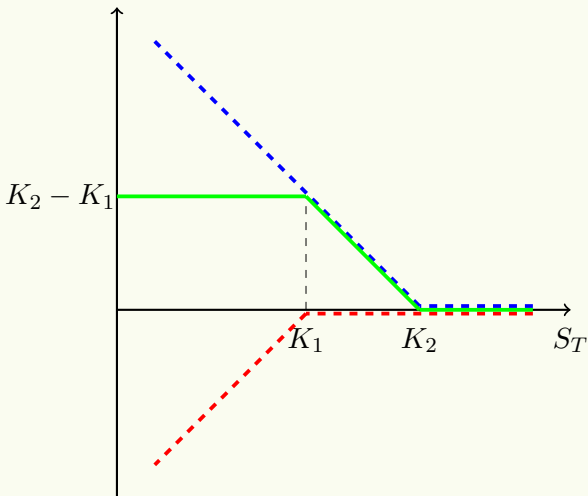
Which of the following statements is least accurate?

- (A) An FX swap can be used by a company to mitigate against FOREX movements.
- (B) VIX is a model-free approach to implied volatility.
- (C) Volatility risk premium can be estimated by the P&L of variance swaps.
- (D) Derivatives of interest rate swap has a non-linear payoff.

To Cheng Wei Edmond

Which of the following best describes the payoff diagram shown?

- (A) Bear Put Spread
- (B) Bear Call Spread
- (C) Bull Put Spread
- (D) Bull Call Spread

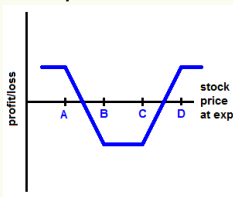


Yi Jiayu

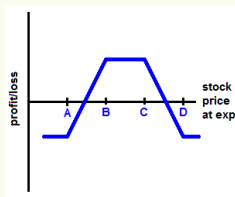
An investor trades options of the following strikes:

$K_1 > K_2 > K_3 > K_4 > K_5$ ($A > B > K > C > D$) The strike price K_3 is at the money. Sell calls at K_1 and K_5 , buy calls at K_2 and K_4 What is the shape of the investor's P&L graph?

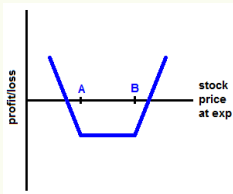
(A)



(C)



(B)



(D)

