Stats 3520b
Topics to be covered for the week of 03–07 February 2014

For this week, we aim to cover the following theories/concepts:

1. Some hints for Assignment No.1

2. Futures options

3. Binomial Pricing of options (cont'd)
   (a) Pricing of European options by replication and no-arbitrage principle

   (b) Risk-neutral valuation

4. Risk-neutral valuation in a 2-period model

5. Pricing of American options

6. Delta of a call in a two-period model

7. Binomial trees in practice