

## **Stats 3520b**

### **Topics be covered for the week of 27–31 January 2014**

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

1. Futures options
2. Factors affecting option prices
3. Properties of stock option prices
4. Upper and lower bounds for European and American option prices
5. Early exercise of an American put on a non-dividend paying stock
6. Put-call parity for European options
7. Relationship between American call and put prices
8. Effects of dividends
9. Binomial Pricing of options
  - (a) Pricing of European options by replication and no-arbitrage principle
  - (b) Risk-neutral valuation