

Economics 252
Financial Markets
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Problem Set #6

I. Do the following problems in the textbook Fabozzi et al.:

P. 560 (Chapter 28), Problem 2

Page 561 (Chapter 28) Problems 6, 7, 8, 9.

P. 562 (Chapter 28) Problem 16

II. Get onto <http://www.cbot.com/>, the web site for the Chicago Board of Trade. Choose a futures contract. Discuss whether the prices shown there seem to follow fair value. You may make any reasonable assumptions about the parameters to plug into the formula.

III Get onto <http://www.cboe.com/>, the web site for the Chicago Board Options Exchange. Click on Market Data, and then on "Volatility Indexes," and then on "Historical Data." This brings you to <http://www.cboe.com/micro/vix/historical.asp>. Then on "New Methodology VIX Data for 1990-2003" and "VIX Data for 2004." Discuss in one paragraph the meaning of the data showing these implied volatilities, and how they relate to recent market experiences.