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.