In the last three decades derivatives have become increasingly important in the world of finance. Futures and options are now traded actively in many exchanges around the world. This class presents both a practical and theoretical approach to derivatives markets. Included is an in-depth examination of the most important derivatives pricing models and the factors that determine derivatives prices. Also studied is the role of derivatives in controlling risk, the relationship between a derivative and its underlying instrument, and the relationship of options to futures and warrants. This course explains the different roles played by investors/hedgers, speculators and market makers, the different strategies each employs, and the different view each has of risk.

**Required Text:** John C. Cox and Mark Rubinstein, Options Markets, Prentice Hall, 1985

**Recommended Text:** John C. Hall, Options, Futures and Other Derivatives, 6th Edition, Prentice Hall, 2005