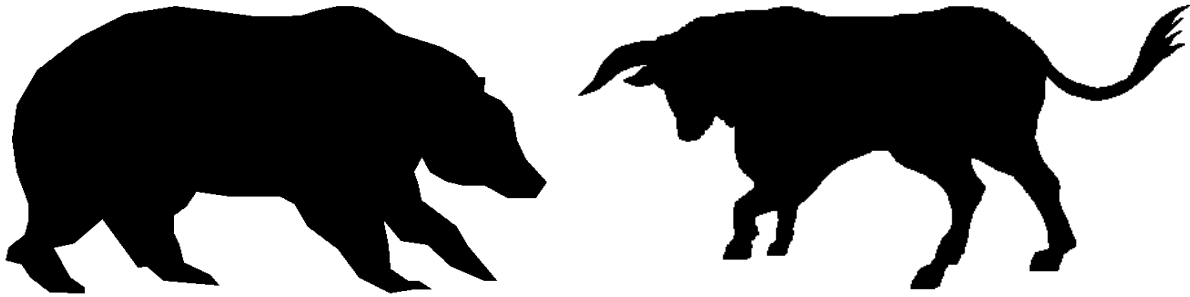


ECONOMICS OF FUTURES MARKETS

11:373:352:01



COURSE REQUIREMENTS AND LEARNING GOALS

Instructor: Penny Carlson, Office of Academic and Student Programs, Martin Hall 202
School of Environmental and Biological Sciences, Rutgers University

Time: Monday, Wednesday (5:35 pm - 6:55 pm)

Place: CDL, Room 109

Office Phone #: (848)932-3000

E-Mail: carlson@sebs.rutgers.edu

Normally offered: Fall

Prerequisites and other registration information: Open to juniors and seniors (others by permission if space permits) who have successfully completed an introduction to microeconomic course (e.g., 11:373:121 or 01:220:102) or Economics, People and the Environment (11:373:101).

Format: Lecture and discussion; two 80 minute periods.

Description: The purpose of the course is to first introduce students to basic investment instruments and then develop a more solid understanding of futures markets and related tools such as options on futures. Students will learn the basics about trading both stocks and futures. Topics include learning about order types, technical and fundamental analysis for stock and futures, using futures and options to hedge cash or physical positions and using futures and options as a tool to facilitate planning in the physical market place. Other topics on futures include, examination of factors that affect cash and futures prices (the basis), margin requirements and procedures, regulations, and spread/arbitrage trading. The Internet will be used extensively as an information source. See the most recent syllabus for a detailed listing of topics that will be covered.

Learning Goals:

- To become familiar with various types of financial investments.
- To specifically learn more about Futures Markets and their use for both speculation and hedging.
- To practice trading futures, stocks, options and other types of financial instruments by using a simulated online financial trading platform.

Text and other requirements:

1. *Getting Started in Futures*, Fifth Edition, Todd Lofton, John Wiley and Sons, Inc. -Available at Amazon.Com at very reasonable prices
2. *Intro to Futures & Options Manual*. This is free! There is a PDF file on Sakai
3. *The Wall Street Journal* or *N.Y. Times*. (The New York Times may be available at the Cook Post Office)
4. Computer Account at Rutgers
5. Participation in Stock Market Game
6. A simple calculator that is not programmable and does not store text. Graphing calculators and programmable calculators including most HP financial calculators DO store text and will not be permitted. Cell phones, PDAs etc. may not be used on exams. You must purchase or borrow simple calculator to use for exams. I am taking a hard stance on calculators this year and if you come to the exam with one that is banned, you will have to take the exam without the aid of a calculator.

Grading:

- Two Hourly Exams (70%)
- Group Project_(20%)
- Stock Market Game, Paper Trading, Attendance (10%)
- Attendance is Mandatory. If you are habitually absent, I will penalize your grade!

ECONOMICS OF COMMODITY FUTURES MARKETS

Course Syllabus and Reading List

Meeting	Topics and Assignments
1	Course Introduction
2	Origin and Development of Futures Markets Internet Reading: A Short Course introducing Commodity Markets & Futures Trading (parts 1-10), <i>CME Futures and Options</i> –This free manual is posted on Sakai read Chapters 1 and 2. Keep the manual for future assignments
3, 4	Economic Justification of Futures Markets Trading Stocks vs. Trading Commodities <i>Getting Started in Futures</i> Chapters 1, 2 and 3 Internet Reading: How Low Can It Go? Stock Market Circuit Breakers Please note that this article is from 1998 when the circuit breakers were last changed.
5, 6	The Basics <ul style="list-style-type: none"> • Types of Financial Investments • Facts and Figure • Calculating Contract Values • Reading the Financial Pages and Internet Financial Resources <i>Getting Started in Futures</i> - Chapters 6, 17, 18, 19 Internet Reading: Calculating the Dow Jones Industrial Average Read all links in the article pertaining to the stock averages Finance Corporate Debt Ratings Moody's and S&P Optional Reading: How to Value Stocks .
7	Using the Internet as an Information Source Bring your laptops or other internet devices if you have them <ul style="list-style-type: none"> • Discuss Requirements for Paper. • What is a Bar Chart?
8	Mutual Funds and Managed Futures Funds <i>Getting Started in Futures</i> Chapter 14 Internet Readings <ul style="list-style-type: none"> • A primer on mutual funds

	<ul style="list-style-type: none"> • Roth IRAs Explained Traditional IRAs
9,10	<p>Placing and Executing Market Orders</p> <ul style="list-style-type: none"> • Mechanics of Orders • Types of Orders <p><i>Getting Started in Futures</i> Chapter 7</p> <p><i>CME Futures and Options</i> Chapter 4</p>
11,12	<p>The Participants in Futures Markets</p> <p><i>Getting Started in Futures</i> Chapters 4 and 5</p> <p><i>CME Futures and Options</i> Chapters 3 and 5</p>
13	<p>Futures Exchanges & The Clearing House or Exam Review</p> <p><i>Getting Started in Futures</i> Chapter 8</p>
14	<p>First Hourly or Review for First Hourly – See Below</p>
15	<p>First Hourly will be either October 21th or 23th - Bring a calculator that does not store text. Graphing calculators (which include most financial calculators), phones, and PDAs are prohibited. If you bring in a Financial/Graphing calculator you will end up taking the exam without a calculator.</p>
16,17	<p>Technical Analysis</p> <ul style="list-style-type: none"> • Bar Charts and Their Interpretation • Computerized Methods <p><i>Getting Started in Futures</i> Chapters 10, Appendix A and C</p> <p><i>CME Futures and Options</i> Chapter 8</p> <p>Internet Resources:</p> <ul style="list-style-type: none"> • The Stocks & Commodities Novice Trader's Notebook, • StockCharts.com Chart School, <p>(You will not be tested on information we do not cover in class)</p>
18,19	<p>Fundamental Analysis</p>

	<p><i>Getting Started in Futures</i> Chapter 9</p> <p><i>CME Futures and Options</i> chapter 8</p>
20	<p>Technical Analysis Using the Web and Microsoft Excel Bring your laptops or other internet devices if you have them</p>
21	<p>Margin Requirements and Procedures</p> <p><i>Getting Started in Futures</i> Chapter 6</p> <p>Internet Reading: How To Margin Commodity Futures</p> <ul style="list-style-type: none"> • Determining Account Status • Marking to Market
22	<p>Options <i>Getting Started in Futures</i> Chapter 15</p>
23,24	<p>Cash vs. Futures Prices: The Basis</p> <p><i>CME Futures and Options</i> Chapter 6</p> <ul style="list-style-type: none"> • Local Basis • Carrying Charges • Arbitrage
25	<p>Spread Trading <i>CME Futures and Options</i> Chapter 7</p>
26	<p>Rules and Regulations <i>Getting Started in Futures</i> Chapter 16</p>
27	<p>Review for Exam* (see below)</p>
28	<p>EXAM 2 * Bring a calculator that does not store text. Graphing calculators (which include most financial calculators), phones, and PDAs are prohibited. If you bring in a Financial/Graphing calculator you will end up taking the exam without a calculator.</p>