Su 2012

Key to 9:45a

Problem

1. a. $S + P = C + PV(K)$ +3

$\overset{+3}{65.50} + \overset{+3}{1.65} = \overset{+3}{2} + \frac{65}{(1.01)^{2/12}}$ +2 +2

$\underbrace{67.15}_{\text{short}} \neq \underbrace{66.89}_{\text{buy}}$ +2

Transactions	CF_0	CF_{2mo} $S=50$	$S=70$
+3 Short stock	+65.50 +3	-50 +3	-70 +3
+3 Short put	+1.65 +3	-15 +3	0 +3
+3 Buy call	-2 +3	∅ +3	+5 +3
+3 Buy bond	-64.89 +3	+65 +3	+65 +3
Total	+0.26 +3	∅ +3	∅ +3
12	15	15	15