

9/20/12

Problems

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1. $STP = C + P(VK)$

$$37.50 + 3.75 = 0.50 + \frac{40}{(1.01)^{2/12}}$$

$$\underbrace{41.25}_{\text{short}} = \underbrace{40.43}_{\text{buy}}$$

<u>Transaction</u>	<u>CF₀</u>	<u>CF_{2M0}</u>	<u>S=25</u>	<u>S=50</u>
+3 Short stock	+37.50 ⁺³	-25 ⁺³	-25 ⁺³	-50 ⁺³
+3 Short put	+3.75 ⁺³	-15 ⁺³	-15 ⁺³	0 ⁺³
+3 Buy call	-0.50 ⁺³	0 ⁺³	0 ⁺³	+10 ⁺³
+3 Buy bond	-39.93 ⁺³	+40 ⁺³	+40 ⁺³	+40 ⁺³
<u>Total</u>	+0.82 ⁺³	0 ⁺³	0 ⁺³	0 ⁺³