MATHEMATICS SEMINAR

Sponsored by the Department of Mathematics
Florida Gulf Coast University

W. EDWARD OLMSTEAD, PH.D.
NORTHWESTERN UNIVERSITY

PORTFOLIO ENHANCEMENT WITH OPTIONS

How Warren Buffett Really Makes Money

An Introduction to Options: Applications and Pricing Theory

Thursday Seminar Series
Jan 30th, Feb 6th and Feb 13th
12:30 pm – 1:45 pm
Marieb Hall Room 200

This three part presentation will provide an overview of both the practical use of options in the world of investing and the implementation of mathematics to develop a theory for pricing options.

The individual investor as well as the fund manager needs to understand not only how options can enhance portfolio performance but also the complex manner in which option prices respond to market fluctuations.

After a practical introduction to options, some basic mathematical relationships involving options will be derived. The Put-Call Parity Equation reveals an essential relationship between the prices of put and call options.

Applying stochastic calculus to differential changes in the price of an option leads to the famous Black-Scholes Equation. The solution of this equation provides a formula for the theoretical price of an option.

Light Refreshments will be available