

Introduction to Derivatives and Financial Markets –
Assignment 1

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Roll no.39

Q1. C

Q2. C

Q3. D

Q4. C

Q5. C

Q6. C

Q7. B

Q8. B

Q9. B

Q10. C

Q11. B

Q12. D

Q13. A

Q14. D

Q15.

- a) The minimum variance hedge ratio is $0.95 \times \frac{0.43}{0.40} = 1.02125$
- b) The hedger should take a short futures position.
- c) The optimal number of contracts with no tailing-

$$1.02125 \times \frac{55000}{5000} = 11.23 \text{ (approx. 11)}$$

- d) The optimal number of contracts with tailing-

$$1.02125 \times \frac{55000 \times 28}{5000 \times 27} = 11.65 \text{ (approx. 12)}$$