

Part IV Risk Management Products

FUTURES

1. Remember that the gross basis is simply found from

$$\text{BOND PRICE} - [\text{FUTURES PRICE} \times \text{CONVERSION FACTOR}]$$

$$= 124.28125 - [109 \times 1.13] = 1.11125$$

$$1.11125 \times 32 = 35.6 \text{ 32nds}$$

Answer is (d)

2. We simply take the dividend yield and interest rate into account

$$\begin{aligned} F &= S(1 + (R - D)T) \\ &= 1200 \left[1 + (0.06 - 0.025) \left(\frac{90}{360} \right) \right] \\ &= 1210.5 \end{aligned}$$

Answer is (d)