

International Finance 725 Final Exam Formulas

$$u = e^{\sigma\sqrt{T-t}}$$

$$d = \frac{1}{u}$$

$$P = \frac{e^{(r_n - r_d)(T-t)} - d}{u - d}$$

$$Put = ke^{-r_n(T-t)}N(-d_2) - Se^{-r_d(T-t)}N(-d_1)$$

$$Call = Se^{-r_d(T-t)}N(d_1) - ke^{-r_n(T-t)}N(d_2)$$

$$d_1 = \frac{\ln\left(\frac{S}{k}\right) + \left(r_n - r_d + \frac{\sigma^2}{2}\right)(T-t)}{\sigma\sqrt{T-t}}$$

$$d_2 = d_1 - \sigma\sqrt{T-t}$$

$$w_A = \frac{(E[R_A] - r_f)\sigma_B^2 - (E[R_B] - r_f)\text{cov}(R_A, R_B)}{(E[R_A] - r_f)\sigma_B^2 + (E[R_B] - r_f)\sigma_A^2 - [E[R_A] - r_f + E[R_B] - r_f]\text{cov}(R_A, R_B)}$$

$$y = \frac{E[R_p] - r_f}{.01A\sigma_p^2}$$

$$w_a = \frac{R - E[R_b]}{E[R_a] - E[R_b]}$$