

Lecture 22: Stock Index, Oil and Other Futures Markets

Economics 252, Spring 2008

Prof. Robert Shiller, Yale University

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Stock Price Index Futures

- Cash settlement rather than physical delivery
- Settlement is $250 * (\text{Index}_t - \text{Futures}_{t-1})$
- Fair value: $F = P + P(r - y)$
 - F = fair value futures price
 - P = Stock price index
 - r = financing cost (interest rate)
 - y = dividend yield

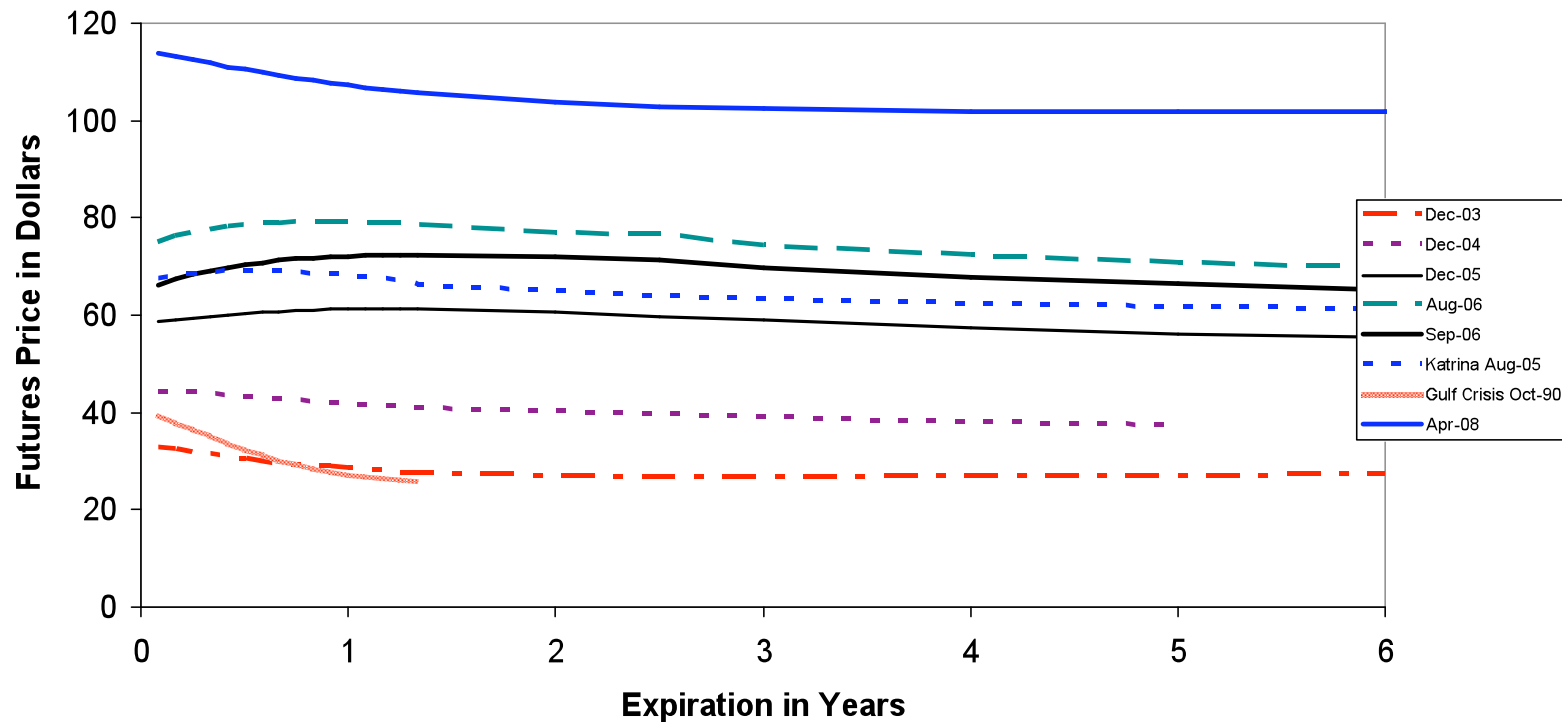
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Oil Futures

- Crude light sweet oil (New York Mercantile Exchange) contract size: 1000 barrels, open interest 431,000 contracts. Physical delivery.
- Brent crude, North Sea (International Petroleum Exchange, London) contract size: 1000 barrels, open interest 232,000 contracts

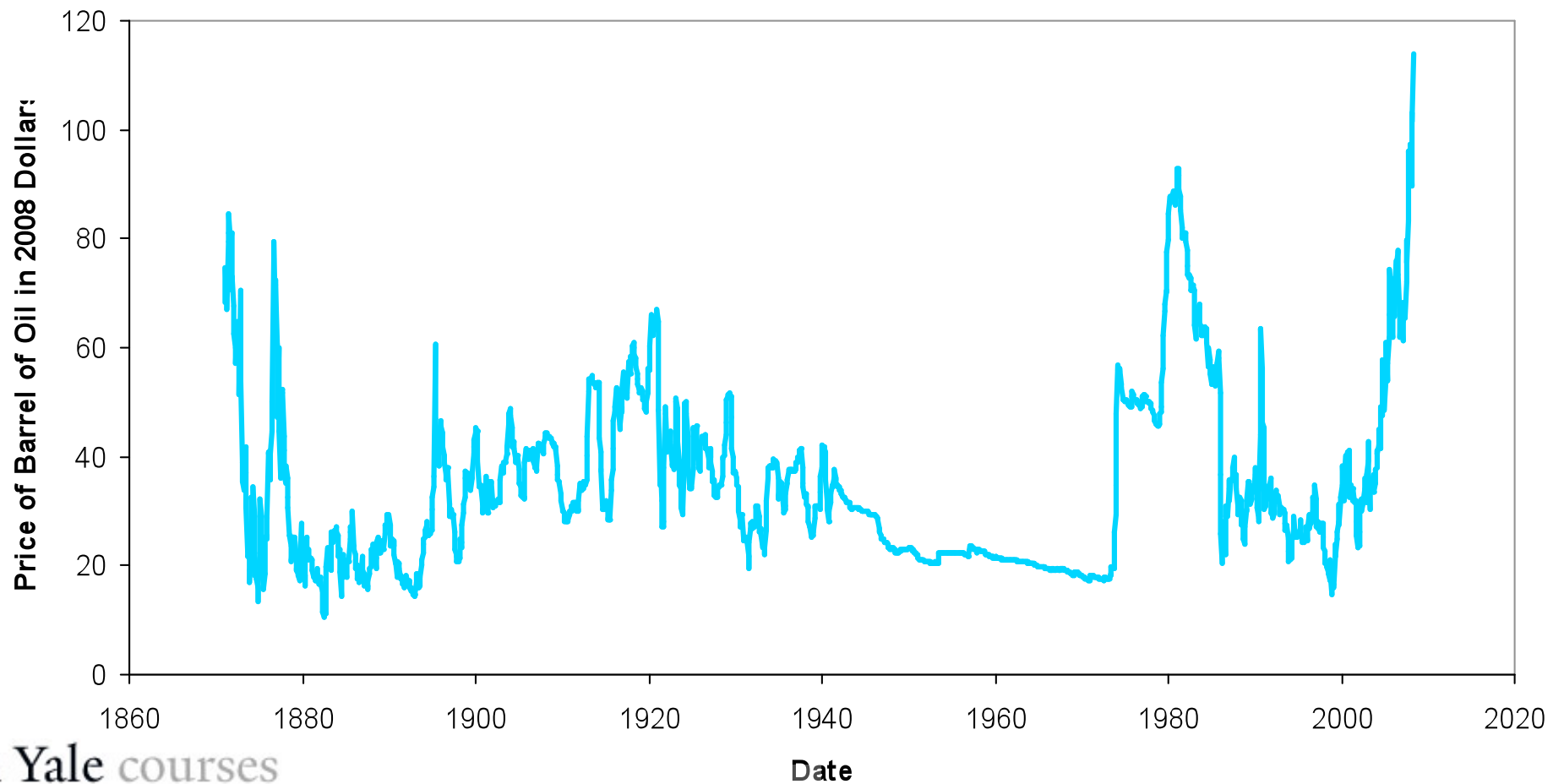
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Light Sweet Crude Futures Term Structure 2003,4,5,6,8



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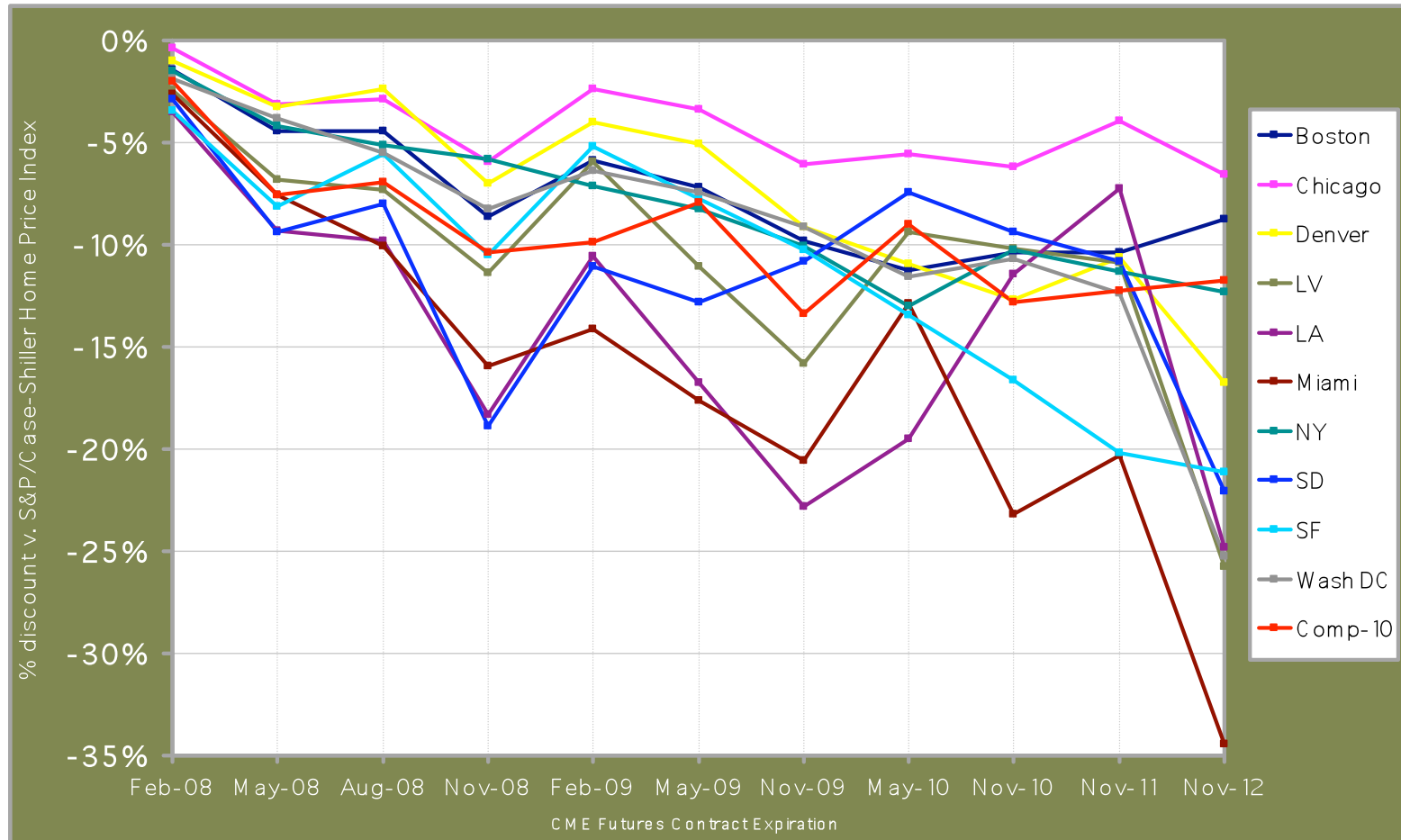
Oil Prices 1871-2008



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Home Price Futures

Percent Discount of CME Housing Futures from S&P/Case-Shiller HPI Levels – as of

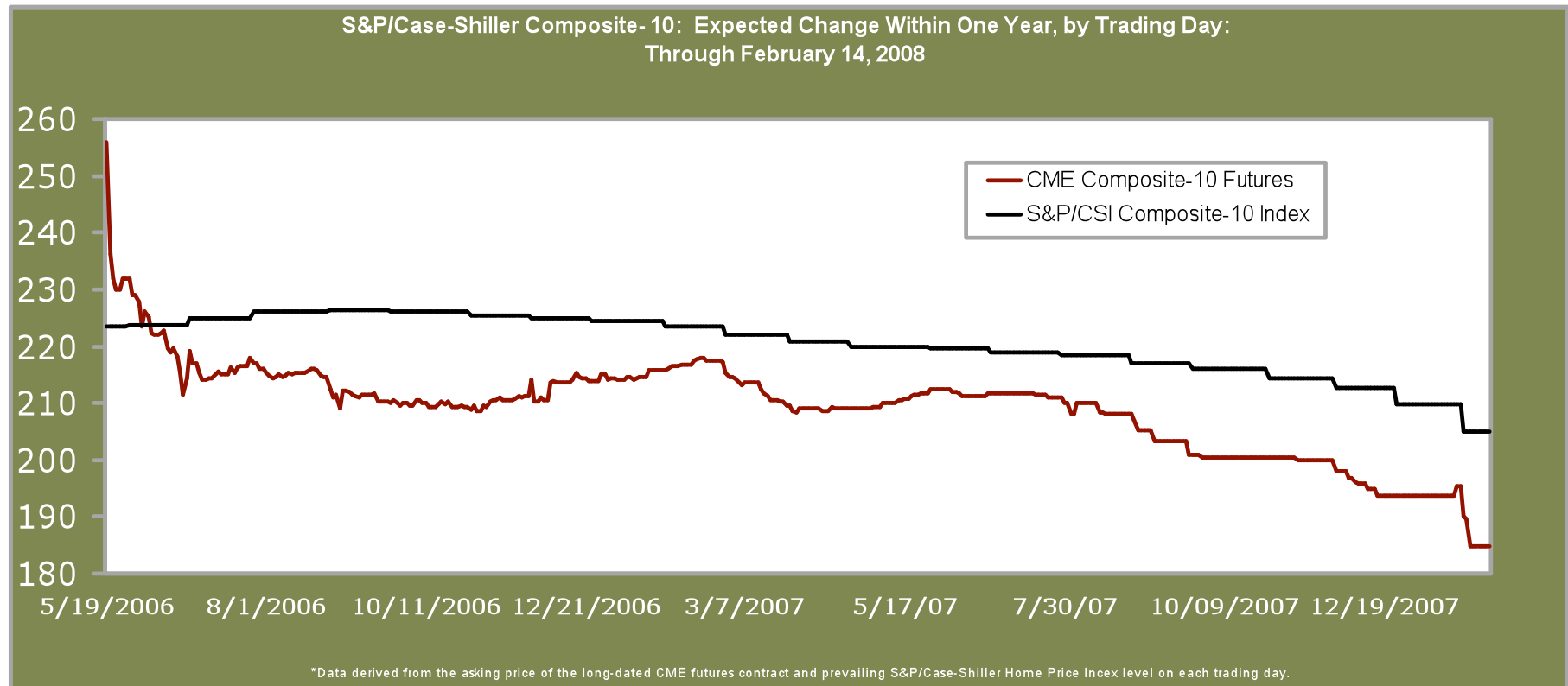


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Futures Price and Latest Home Price Index

Daily, May 2006 – February 2008



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