Lecture 22: Stock Index, Oil and Other Futures Markets

Economics 252, Spring 2008
Prof. Robert Shiller, Yale University
Stock Price Index Futures

- Cash settlement rather than physical delivery
- Settlement is $250 \times (\text{Index}_t - \text{Futures}_{t-1})$
- Fair value:
  \[ F = P + P(r - y) \]
  \[ F = \text{fair value futures price} \]
  \[ P = \text{Stock price index} \]
  \[ r = \text{financing cost (interest rate)} \]
  \[ y = \text{dividend yield} \]
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
Light Sweet Crude Futures Term Structure 2003, 4, 5, 6, 8
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

S&P/Case-Shiller Composite-10: Expected Change Within One Year, by Trading Day:
Through February 14, 2008

*Data derived from the asking price of the long-dated CME futures contract and prevailing S&P/Case-Shiller Home Price Index level on each trading day.

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