

Forward Premium = $\frac{F_{0,T}}{S_0}$

Annualized Forward Premium = $\frac{1}{T} \ln \left(\frac{F_{0,T}}{S_0} \right)$

5 Difference between Futures and Forwards:

- Futures standardized, forward customized
- Futures settled daily
- Futures have daily price limits
- Futures more liquid
- Futures ~~are~~ less credit risk.

4 Future Contract Terms (include one-line explanation):

- Open Interest - total # of open position (buy/sell pairs)
- Maintenance Margin - Margin below which Margin call occurs
- Margin - % of total bought ~~to have~~ ^{to give} as collateral
- Margin Call - when margin falls below Maintenance Margin, broker does.

2 Reasons for changes in market Value of Swap:

- Payments made
- Δ s in i and forward prices

What is a Deferred Swap? when a swap is settled today but starts payments in future

Amortizing Swap: \downarrow ing in notional value.

Accreting Swap: \uparrow ing in " "