

FINC 623/ECON623
Homework Assignment—Cost-of-Carry Model
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Maximum team size: 3 persons

Using data from the close of business on November 4, 2009 (gathered from *The Wall Street Journal* of November 5), determine the correct price for the futures contracts listed below based on the cost-of-carry model. Why might your computation differ from the market price for the futures contract? If your computed fair price does differ from the market price, explain how you can respond as a trader. Show your work—i.e., the data you use and the formula you analyze. What is the main difference in the analysis for the euro and gold?

June 2010 Euro contract traded on the CME
Dec 2010 gold contract traded on the Comex

Turn in a single typed page with your analysis.