Math 181 HW5

Handout: Wednesday, Oct. 29
Due: Wednesday, Nov. 5

1. Consider the Black-Scholes formula for the value of a standard put or call.

   (i) Show that $N(-x) = 1 - N(x)$.

   (ii) Use this to show put-call parity.

2. Use the table of values of N in the back of Hull's book to evaluat the following option prices:

   A 3-month European put with strike price $X = \$50$, current price $S_0 = \$50$, risk free rate of return $r = 10\%$ per year and volatility 30% per year.