COMMODITIES MARKETS & FUTURES TRADING  
AGEC 447 - FALL 2012  
School of Agriculture – Western Illinois University

INSTRUCTOR
Dr. Jason Franken  
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CLASS TIMES AND LOCATIONS
AGEC 447 will meet on M, W, F in Knoblauch 308 from 11:00 a.m. – 11:50 a.m.

EMAILS
Please be sure to include the course in which you are enrolled in any emails.

COURSE DESCRIPTION AND PREREQUISITES
No prerequisites required. A basic understanding of cash (spot) and futures markets can enhance one’s effectiveness in commodity marketing and procurement. This course will cover futures trading institutions, relationships between futures and cash prices, and futures trading (hedging and speculating) from both fundamental and technical analysis approaches.

TEXTS
• No text required. Some readings at http://extension.missouri.edu/p/G607.

COURSE OBJECTIVES
1. Review terminology and institutional structure of futures markets, stressing the role of contract integrity.
2. Develop an understanding of the role of futures markets in price discovery.
3. Create awareness of risk reduction and profit opportunities offered by futures markets.
4. Develop skills in assessing market conditions (fundamental and technical analysis).

EXPECTATIONS OF STUDENTS
Participation: Students are expected to regularly attend class and to actively participate in discussions.  
Academic Integrity: The rules and regulations outlined in the University's policy on academic integrity are applied to this course. See http://www.wiu.edu/policies/acintegrity.php.  
Student Rights and Responsibilities: Detailed information regarding student rights and responsibilities can be found at http://www.wiu.edu/provost/student/. It is your responsibility to be familiar with the posted information.  
Special Accommodations: If you need special accommodations, please feel free to stop by and discuss your needs or contact Disability Resource Center at 298-2512.

USE OF CELLULAR PHONES
As a courtesy to other students and to the instructor, all cell phones should be turned off prior to class. Continued disregard of this policy may result in ejection from the course. If, due to medical or public safety concerns, a student needs an exception to this policy he/she should inform the instructor prior to class. Cell phones are not be used under any circumstances on exams. Texting is not allowed during class and repeated violations may lead to dismal from the course with an assigned grade of F.

TOBACCO POLICY
Tobacco use of any kind will not be tolerated in class. This includes chewing tobacco.
**IMPORTANT DATES**

Aug 31    -    Last day to drop without being assessed tuition or receiving a "W" grade  
Sep 3     -    Labor Day: No Class  
Oct 28    -    Last day to drop with a “W”  
Dec 1     -    Final Exam: 10:00 am –11:50 am

**GRADING POLICY**

The course grade will be based on the following factors, with weightings as indicated:

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<th>Component</th>
<th>Weight</th>
<th>Grade</th>
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| Exam I                     | 20%    | A = 93% or above  
|                            |        | C- = 70-72.99% |
| Exam II                    | 20%    | A- = 90-92.99%  
|                            |        | D+ = 67-69.99%  
| Quizzes                    | 10%    | B+ = 87-89.99%  
|                            |        | D = 63-66.99%   |
| Homework/Project           | 20%    | B = 83-86.99%   
|                            |        | D- = 60-62.99%  
| Comprehensive Final Exam   | 30%    | B- = 80-82.99%  
|                            |        | F = <60%        
| Total                      | 100%   | C+ = 77-79.99%  
|                            |        | C = 73-76.99%   |

Grade breaking points may be lowered, but in no case will they be raised. These breaking points will be evaluated only after final numerical grades have been calculated.

**Attention Education Majors:** The changes within the state certification requirements, which go into effect immediately for all of those students who graduate in the spring 2012 and after, you are required to receive a grade of a "C" or better in this course in order to meet these new requirements. With the new university +/- grading system, receiving a "C-" or below will require you to retake this course or find a substitute course to meet School of Agriculture graduation requirements.

**QUIZZES**

The instructor reserves the right to use both announced and unannounced quizzes. Only excused absences will be allowed to make up quizzes. Unless it is an emergency, only absences approved in advance will be excused. It is at the discretion of the instructor as to whether an absence is excused or unexcused.

**HOMEWORK/PROJECT**

Each student will be required to choose a particular commodity (one that is commonly traded). The student will then record (daily) the pertinent information for that commodity in Microsoft Excel. The information will be used in class discussions. Each student will prepare graphs and tables tracking movements in their chosen commodity. This information will be used to develop situation and outlook reports for the chosen commodity. More detail will be provided in class.

**EXAMS**

There will be two tests and one comprehensive final exam. Exams will consist of multiple choice, short answer, and problem solving questions. Makeup exams will only be given in extreme situations.

If a student disagrees with a particular answer, it is the student’s responsibility to provide a logical reason in writing as to the reason for their disagreement. This does not apply to scoring errors. All instructors are human and occasional errors in grading will occur. Please bring any such errors to the instructor’s attention immediately.
## COURSE OUTLINE

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<th>Week</th>
<th>Start of Week</th>
<th>Topic/Material</th>
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| Week 1| 8/20/2012     | **Classes Begin Monday Aug, 20**  
Course Introduction  
An Introduction & Overview (The Basics of Commodity Futures)  
Reading 1: Commodity Futures Terminology  
Reading 2: Interpreting Commodity Futures and Options Quotes |
| Week 2| 8/27/2012     | An Introduction & Overview (The Basics of Commodity Futures)  
Reading 3: Agricultural Commodity Futures Contract Specifications |
| Week 3| 9/3/2012      | **Labor Day on Sept 3 - No Class/University closed**  
Cash-Futures Basis  
Reading 4: An Introduction to Basis  
Reading 5: Using Commodity Futures as a Price Forecasting Tool |
| Week 4| 9/10/2012     | Hedging Using Futures  
Reading 6: Introduction to Hedging Agricultural Commodities with Futures |
| Week 5| 9/17/2012     | Hedging Using Futures  
Reading 7: Long Hedge Example with Futures  
Reading 8: Short Hedge Example with Futures |
| Week 6| 9/24/2012     | **Review & Exam 1** |
| Week 7| 10/1/2012     | Pricing Concepts in Futures: Fundamentals vs. Techniques |
| Week 8| 10/8/2012     | Fundamental Analysis: Supply & Demand |
| Week 9| 10/15/2012    | Technical Analysis |
| Week 10| 10/22/2012    | Psychology of the Markets |
| Week 11| 10/29/2012    | Agricultural Contracts |
| Week 12| 11/5/2012     | **Review & Exam 2** |
| Week 13| 11/12/2012    | Options on Futures Contracts  
Short & Long Hedging Using Options  
Reading 9: Long Hedge Example with Options  
Reading 10: Short Hedge Example with Options |
|       | 11/19/2012    | **Fall Break/Thanksgiving Holiday Nov 19-23 - No Class/University closed** |
| Week 14| 11/26/2012    | Financial Futures |
| Week 15| 12/3/2012     | Advanced Futures Trading: Spreads, Swaps, etc. |
| Week 16| 12/10/2012    | **Comprehensive Final Exam is 10:00 am Wednesday Dec 12** |

### ACCREDITATION

The School of Agriculture is housed in the College of Business and Technology which is accredited by AACSB-International.

### NOTICES

Please be advised that this syllabus is tentative. All classes are different and we may or may not be able to address all of the content areas or stick with the anticipated number of exams. Any deviations from the syllabus will be announced as soon as possible.