

**TEXAS A&M UNIVERSITY
DEPARTMENT OF MATHEMATICS**

MATH 425-500

Quiz 1 Corrected, 1 Feb 2018

On my honor, as an Aggie, I have neither given nor received unauthorized aid on this work.

Name (print):

Show work!

Use your own paper for scratchwork, try to fit your solution (with key points of your work)
in the space provided.

1. Consider the spread consisting of 1 long call with strike 90, 1 long put with strike 100, and 1 short call with strike 120.
 1. Graph the payoff of this spread.
 2. What is the minimum premium you would expect to pay for this spread?
 3. This shape of payoff is called the “short put ladder”. Recreate this *shape* by using puts only (the graph should look the same up to a shift in the vertical direction).

Points: /10
