Success Guide to Derivatives

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This subject is considered to be difficult for many Vietnamese due to the obvious fact that the country has not seen such development and the vast proliferation of derivatives products.

Perhaps, the best advice for CFA Level I exam is **not to focus** too much on this subject. The total number of questions from this topic is 12 questions and these questions are to be divided into four broad types of derivatives, namely forwards, futures, options and swaps.

Therefore, you may expect about 3 questions on options, maybe more. However, within the limited number of questions, you have to study a wide range of issues from the basic features of options to the various risk management strategies, such as portfolio insurance strategy and covered call strategy.

The good news would be that many of the questions from this topic would be easy. Thus, the best exam strategy is to cover enough to ensure that you are able to score above 50%. Don't skip. The basic features of derivatives are covered.

Students normally comment that they are fine with forwards and futures. Therefore, focus in these areas and ensure that you can score well.

As for options, the basic features would need to be covered. You may then make the call whether it is worth your time to further your studies on 'tough ones' like put-call parity, lower and upper boundary prices as well as the risk management strategies. As mentioned in the main revision note, you should not emphasise on this topic unless you are already confident in scoring more than 70% in priority topics like Financial Reporting and Analysis and Ethics.