

TRADING PLACES

INSTRUCTIONS: Using the movie “*Trading Places*”, write a review of the movie that explains the strategy that the Dan Akroyd and Eddie Murphy characters used to bankrupt the brothers. You may be critical of the movie; does it provide a clear representation of the mechanics behind the derivatives used? In your review include an explanation of:

- What the brothers investing in. Why traders invest in futures? What do futures represent?
- How futures are leveraged; the risk of futures and the potential huge returns.
- How was the brother’s speculation of Orange Juice wrong?
- The brother’s *problem* with margin calls – what is the difference between *being long vs. short* in futures contract? (How did it bankrupt them?)
- How did the Dan Akroyd and Eddie Murphy characters make money?

NOTE: your goal is to explain the futures trading events of the movie that bankrupted the brothers and made the Dan Akroyd and Eddie Murphy characters rich as if you were explaining it to your younger (grade 10) brother or to one of your peers not in this class! *Think of your review / explanation of Trading Places as “Futures for Dummies”!*

REQUIREMENTS: A review; you may use headings and sub-titles. Maximum two pages 1.5 space, 1” margins, word-processed.

EVALUATION: Your review will be graded out of 20, based on your understanding of the case and the clarity of your explanation.

A+	A	B	C	D
<ul style="list-style-type: none"> • Clear and concise explanations with examples to clarify your ideas. • Facts are correct • Demonstrates a thorough understanding of futures, risk / return, margin and leverage 	<ul style="list-style-type: none"> • Explanation is clear; some background knowledge in the topic is required for complete understanding 	<ul style="list-style-type: none"> • Explanation of the main ideas; some details, relationships and affects of the events are not clear 	<ul style="list-style-type: none"> • The basic facts are present; lacking clarity and full understanding of the relationships and affects of the events 	<ul style="list-style-type: none"> • Lacking an understanding of the basic concepts of risk, margin and leverage • Does not appear to understand what futures are!