

Movie Market Forecasting Assignment

In late March (the 27th to be exact), we will open trading in two movie box office markets. The value of the futures contracts in these markets will be determined by the 4 week (through April 30th) total domestic box office sales for two movies scheduled to open on April 3rd. These movies are Lost in Space (dangerwillrobinson.com) and Mercury Rising (mercury-rising.com). You can check out how the top movies in America are faring at the AC Nielsen Entertainment Data, Inc. site (entdata.com).

You will have two tasks related to these markets. First, each student will individually develop a forecast for the box office returns for these two movies based on sources available on the Internet. Second, you will have to make trades in the markets based on your forecasts. You are required to make at least one trade in each market before the movies open and at least one trade in each market after the movies open. Failure to make these trades will result in a grade of Fail for the entire assignment. There is no make up for the trade portion of this assignment.

On the Tuesday March 24th, each student will turn in a two-three page memo which contains your forecasts for the two movies. You should discuss what information sources you used to develop the forecasts and how these sources were integrated to yield the final forecasts.

One question you might have is: How do I forecast the results for a movie that is not yet in theaters? This is a key question faced by executives in the movie industry from production companies all the way down to the owners of a neighborhood cinema. You should start by visiting the movies' web pages. Then, using box office data from the past available on the web, look at the success of similar movies. These could be movies with the same stars, directors, type of plot or even same time of release in the year. In addition to the Internet resources, back issues of Variety (Main Library) contain weekly results for the top 50 movies in the country.

In most forecasting assignments, your hard work results in either a good grade or bad grade depending on how the actual event turns out. This assignment is very different because your hard work can pay off in real money through the Movie Market futures contracts. In addition, since there is trading over time and information revealed about the movies' performance at the box office every weekend, there are opportunities to profit even if your original forecast is incorrect.

I would encourage you to try out the simulated trading via the website before you have to make your required trades. Unlike the simulation or practice trades, the actual trades on your account cannot be reversed