

Course Objectives

- Provide a clear overview of the range of derivative products, and the uses to which they can be put
- Explore how clients use derivatives to mitigate equity, interest rate, and credit risks
- Examine how derivatives can also be used to enhance value and increment yield

Pre-Requisites

- People must have understanding of various asset classes – FI, Equities, FX etc. and their characteristics
- Understanding of various players in the marketplace and their roles
- Understanding of trade flow

Course Outline

- Overview
 - What are derivatives?
 - Derivative building blocks: forwards and futures, swaps, and options
 - Derivatives as a hedging tool
 - Derivatives as a speculative tool
 - Derivatives across markets – FX, equities, rates, commodities, and credit
- Forwards
 - The Need
 - Principles of forward pricing
 - The FX forward market
- Futures
 - Definitions and terminology
 - How futures differ from OTC products
 - Standardisation of contracts
 - Overview of interest-rate, bond, stock-index, and currency contracts
 - Physical delivery vs. cash settlement
 - How margining systems work
 - A brief insight into cash and carry pricing
- Swaps

- Concept and terminology
- IRS
- Currency Swaps
- Equity Swaps
- Swap Applications

- Options
 - Concept and terminology
 - The importance and components of time value
 - Using Stock Options – Bull and Bear Strategies
 - Price Enhancement
 - Price Protection

- Credit Derivatives
 - Principles and functions of credit derivatives
 - Types of credit derivatives
 - The credit derivatives market
 - Credit default swaps
 - Credit events
 - Settlement types
 - CDS Applications