



Derivative Products I & II Suite - Intensive

This program focuses on the fundamentals of derivative products. Day one explores the characteristics, features, applications and pricing of forward rate agreements, Eurodollar features, interest rate swaps, and options, as well as caps, floors and collars.

It examines which variables impact option prices using computer software specifically designed for capital markets and derivatives training.

Day two builds on Derivative Products I, and begins with the examination of swap valuation using the par, spot and forward curves and how these curves are derived. Asset swaps are explored and how the spread over or under LIBOR is determined. The pricing of caps, floors and collars is examined, and how they are embedded in fixed income securities. Derivative securities are introduced, securities are decomposed into their component parts, swaptions use in conjunction with callable bonds, is also examined. Finally, the class looks at how equity linked notes are structured.

Targeted Audience

Traders, sales and business development professionals, backoffice staff, financial analysts, auditors and compliance staff.

Special Offer

Clients who register for this course will receive a complimentary 4-month subscription to FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. The move to the electronic version follows an ongoing review of our environmental responsibilities as a global business and as part of the Pearson group. FT.com also has features that are not available in hard copy, such as: Special Reports, Alphaville, editor blogs, education sections and much more! Subscriptions will start within 6-8 weeks of the start of class and are limited to one subscription per client. (Please note: as of May 1, 2011, the electronic subscription replaces the hard-copy 3-month Financial Times subscription.)

Advance Preparation

No advance preparation required.

Prerequisites

Financial calculator is required.

Learning Objectives

Students will be able to:

- . Identify who the market participants are that presently use derivative products
- . Identify what markets are derivative products (futures, options and swaps) and on what underlying assets these derivatives are based
- . Explain how these various market participants use derivative products and for what purpose
- . Demonstrate how to price futures contracts
- . Price a swap rate, build a swap curve and understand forward rates
- . Explain how option pricing models work and how to use them in practice
- . Apply and use the products of caps, floors, collars & swaptions
- . Demonstrate how asset managers and the investment community are using the derivative markets today

Alumni Comments

"A thorough course with a good instructor."

"The instructor was able to break down complex concepts into everyday scenarios."

"This was a good overview course with an outstanding instructor!"

"The instructor possessed a great depth of knowledge and experience, and was an excellent speaker, too!"

"The instructor used practical examples in class."

Level: Basic

CPE Credits: 14.0

Instructional Method: Group-Live

Detailed Outline

DAY ONE - Derivative Products I

Futures and Forwards

- . Evolution and History
- . Standardized Contracts
- . Margin and Daily Settlement
- . Clearing Firms and Their Function
- . Benefits Of Exchange-Traded Futures
- . Applications Of Futures And Forwards
- . Differences Between Futures & Forwards
- . Time Value of Money

Eurodollar Contract

- . Define an FRA
- . How they are priced
- . Applications of FRA

Eurodollar Futures

- . Contract Specifications
- . The Eurodollar Strip
- . Value of a Basis Point Futures versus Deposits

Interest Rate Swaps

- . History and Evolution
- . Characteristics and Terms of Swaps
- . Fundamentals Of Pricing Swaps
- . Applications of Interest Rate Swaps

Options, Caps, Floors and Swaptions

- . History and Evolution Of Options Market
- . Option Terminology
- . Risk/Reward - Payoff Profiles & Breakevens
- . Basic Characteristics Of Option Contracts
- . Basic Characteristics Of Caps & Floors

DAY TWO - Derivative Products II

Yield Curves

- . Different Types Of Yield Curves
- . What is the par swap curve
- . Par Swap Curve
- . The Spot Curve (Term Structure Of Interest Rates)

Calculating Spot Rates & Forward Rates

- . Calculating Spot Rates (Bootstrapping Method)
- . Calculating Forward Rates

Calculating Swap Rates

- . The Eurodollar Contract Specifications (Review)
- . Discount Factors (Time Value of Money)
- . Calculating Adjustments for Different Day Count Conventions
- . Calculating Swap Rates Using The Eurodollar Futures
- . Calculating The Net Present Value Of Swap

Options

- . Basics Of Option Contracts (Review)
- . Inputs Into Option Pricing Model
- . Volatility: Types Of Volatility & Probability
- . Normal & Lognormal Distribution
- . Option Pricing Models: Black-Scholes

- . Basic Characteristics Of Swaptions
- . Factors Of Options Pricing

- & Binomial Pricing Models
- . Option Pricing Models & The Real World
- . Managing Options Risk - The Greeks

Interest Rate Options

- . Define Caps, Floors, Collars & Swaptions (Review)
- . Pricing Caps, Floors, Collars & Swaptions
- . Applications of Caps, Floors, Collars & Swaptions

Swap Users In Today's Markets

- . Uses By Corporations (Asset-Liability Management, Bond Issuance)
- . Uses By Asset Managers (Leveraged And Non-Leveraged Uses)
- . How a Corporation Might Use Swaps
- . How an Unleveraged Asset Manager Might Use Swaps
- . How a Hedge Fund Might Use Swaps

Equity Linked Notes

- . Define the structure of an equity linked note
- . Examine a specific structure

For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.