



Credit Default Swaps: From Vanilla to Exotic

Credit derivatives is one of the most successful innovations of financial engineering over the last ten years. The current active credit derivatives market has produced an array of new products. This course explores the valuation approaches for vanilla and exotic credit derivative products while describing the mechanics of each product. Hands-on Excel /VBA exercises are used to facilitate theoretical understanding. The class also discusses real-life position examples as case studies to illustrate applications of credit derivatives.

Available Session(s):

15-Sep-2008 -- 27-Oct-2008	New York	USD \$1775
NY Institute of Finance - Midtown	5:45pm - 8:15pm	Mon
Instructor(s):[Wilfred Daye;]		

Targeted Audience

Anyone who has an interest in credit derivatives.

Special Offer

Clients who register for this course will receive a complimentary 6 month subscription to the Financial Times and FT.com. The Financial Times is the world's most respected financial newspaper providing a broad assessment on finance, business and the industrial sector. Subscriptions will start within 6-8 weeks of the application process, and are limited to one per client. For questions about your subscriptions call 800-628-8088 or email uscirculation@ft.com. US and Canada enrollees only.

Advance Preparation

No advance preparation required.

Prerequisites

Attendees must have a solid knowledge of Excel™

Learning Objectives

Students will be able to:

- Understand intuitions behind various valuation approaches
- Develop hands-on, spreadsheet modeling skills
- Build basic pricing models for credit derivative products
- Demonstrate application of these skills to solve a variety of investment related problems

Alumni Comments

"This course has too many strengths to name; I highly recommend it!"

Level: Intermediate

CPE Credits: 15.0

Instructional Method: Group-Live

Detailed Outline

SESSION ONE

Introduction

- Review of Valuation of Risky Bonds
- Credit Derivatives Market Overview

Single Name CDS I Reduced Approach

- Review of Probability
- Mechanics of Single Name Credit Default Swaps
- Deriving Simple CDS Pricing Model
- Sensitivity Analysis
- Model Assumptions

SESSION TWO

Single Name CDS II Structural Approach

- Review of Equity Option Pricing
- Firm's Value Models
- * Merton (1974)
- *KMV
- *Black-Cox
- *Duffie-Lando
- *Lardy-Finkelstein (CreditGrades)
- Summary of Model Assumptions
- Reduced vs. Structural Approach

SESSION THREE

Single Name CDS III More Tools

- Risk Attribution
- Unwinding Single Name CDS
- Deriving Par CDS Spread from Cash Price
- Mechanics of Asset Swap
- Deriving Asset Swap Spreads from

SESSION FOUR

Correlation Products Overview

Standard CDS Index Portfolios

- Mechanics of Standard CDS Indices
- Families of Standard CDS Indices
- Correlation and Correlation Risk

Bond Prices

- Deriving Forward CDS Spreads

Correlation Products I Nth-to-Default Basket Swaps

- Overview of Nth-to-Default Basket Swaps
- Mechanics of Nth-to-Default Basket Swaps
- Valuation Framework
- *Pair-wise Correlation
- * Pricing
- Sensitivity Analysis
- Correlation and Nth-to-Default Basket Swap

SESSION FIVE

Correlation Products II Synthetic CDO

- Mechanics of Synthetic CDO and (Synthetic CDO)ⁿ
- Correlation Modeling
- Compounded Correlation
- Base Correlation
- Volatility and Correlation Skew
- Sensitivity Analysis

SESSION SIX

More Credit Derivatives Innovations

- Recovery Products
- - Zero-Recovery CDS
- - Recovery Locks
- - Digital Default Swap
- Credit Options Products
- - Pricing Credit Default Swaptions
- - Sensitivity Analysis
- Synthetic Products
- - CDS on Preferred Securities
- - CDS on Municipal Securities
- - CDS on Asset-backed Securities
- - CDS on Commercial Mortgage-backed Securities

Schedule Note

There will be no class session on Monday, September 29, 2008.

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