INTEREST RATE & CURRENCY SWAPS

Overview

Interest rate and currency swaps have widely been used as hedging and trading instruments for nearly three decades. Since the financial crisis emphasis has been placed on price transparency, clearing and reporting. This is not surprising. Whilst these products make ideal tools to offset risk. They also facilitate leverage and may increase unreported exposures. This course gives participants a framework for understanding how derivatives products are priced and structured by investors, hedgers and financial intermediaries for the purpose of hedging participants financial exposures. Learn how to tailor effective hedging strategies, using forwards and options on currency and interest rates and perform comparative analysis between alternative structures and solutions. Participants will develop an understanding of how originators, investors and financial intermediaries interact with one another to execute their hedging strategies and meet participants specific business needs. In addition, a comparative analysis will target the structure and pricing techniques most used in the OTC and exchange-traded derivatives products on interest and currency rates.

Target Participants

- Corporate Risk Managers
- Corporate Treasury Professionals
- Bank Treasury Professionals
- Treasury Dealers
- Capital Markets Professionals
- Market risk managers
- Credit risk managers
- Support Specialists
- Audit, Legal & Trading (Audit, Legal, etc)

Course Objectives

Here are just some of the key benefits participants gain from this course:

- How to Manage Corporate Exposures
- How to Hedge Interest & Currency Exposures
- Marketing Derivative Solutions
- How to Structure Effective Hedging Strategies
- How to Manage Market Risks
- FRA’s, interest rate swaps, asset swaps, treasury rate locks, forward starts and blend & extends.
- Caps, floors and collars on interest rates
- FX forwards, FX swaps, cross currency swaps
- Caps, floors and collars on FX rates

Pre-Requisites

Participants should know how to use a financial calculator, such as the HP-12C or HP-19. Alternatively, a laptop with MS Excel installed may be acceptable.

COURSE CONTENTS

Swaps

An introduction to what they are and how the market has changed.

- Market development
- Bilateral trades
- Potential credit exposures
- Regulation, trading, clearing and reporting

Interest Rate Swaps

The calculations and payments made when you enter an interest rate swap.

- Nominal or notional amounts fixed and floating payments
- The swap yield curve, swap prices, pay and receive rates
- How dealers make money and how much that can be

- How interest rates influence the value of a swap and the profit or loss

Discounting and Present Value

Swap pricing and valuation relies on discounting future cash flows. This can be done using the appropriate market interest rates.

- Discount factors and their use
- The zero-coupon model
- Cash, swap and futures rates
- Swap spreads

Profits & Losses

Valuation leads to profits and losses on individual trades. These profits and losses can be realised in a variety of ways.

- Is a profit or loss real money?
- Cancellation, matching, novation
- How swaps are valued

Hedging with Swaps

Swaps are used to hedge fixed and variable interest rates, in theory this is straight forward but problems are often encountered.

- Matching the hedged item, forward starting, amortising and accreting swaps
- How banks hedge fixed rate retail funding
- How companies hedge variable rate borrowing
- How borrowing in the bond market is hedged
- Asset swaps, what they are and how they work with premium and discounted bonds
- How asset swap prices indicate relative value
- How banks hedge fixed rate loan portfolios
- The risks swaps don't hedge

Swaps and Credit Risk

The credit risk swaps can create is a concern for banks and regulators alike. This risk can be difficult to manage and its management can create further operational and liquidity risks.

- Why swaps create credit risk
- How counterparty credit risk can run in both directions
- Collateral and margining to reduce credit exposures.

Swap Trading

Dealers can use swaps to trade interest rate risk, the shape of the yield curve and swap spreads.

- Outright trades
- Spread (yield curve trades)
- Trades involving the swap spread.

Foreign Exchange

This huge market is dominated by the major banks and currencies. It is estimated that 70%-90% of trading is speculative.

- Market volumes and market shares
- Infrastructure & how foreign exchange risk can arise.
- Spot deals and what influences the spot rate
- Forward foreign exchange and the forward rate
- Forward points
- Foreign exchange swaps and their use

Cross Currency Swaps

These are widely associated with hedging longer dated assets or liabilities. They normally involve principal exchange at the start and at maturity. The credit risks that can be incurred reduce their usage.

- Fixed/fixed currency swaps
- Fixed/floating currency swaps
- Floating/floating currency swaps

Basis Swaps

These swaps involve the exchange of two different indices. They can therefore be used to hedge risks incurred on the balance sheet. The market price of basis swaps can have important implications for the returns on the transactions they hedge.

- Examples of basis swaps and their prices
- How a cross currency basis swaps can influence asset swap returns
- How cross currency basis swaps can influence forward foreign exchange prices

End of Course & Closure.

COURSE DURATION	DELIVERY MODE	DELEGATE CLASS SIZE	COURSE FEE/PARTICIPANT
3 DAYS	In-Plant	8 (Guaranteed Minimum)	For quote, please click http://demvros.com/contact/
Discount is available for class size above the minimum. Please visit www.demvros.com or call 08056154199 or e-mail for enquiries.			