



Currency Derivatives

Overview

This course focuses on Currency Derivatives from an Intermediate to Advanced level. The focus is on the valuation of these derivatives (from forwards & futures to currency swaps and currency options) as well as the sensitivities of these derivatives. Furthermore the course also looks at hedging using these instruments. Traditional currency option models such as the Garman-Kohlhagen model are discussed as well as currency options on Futures.



This is a **“hands on”** course and delegates will value these instruments themselves using Excel. As a result, it is strongly recommended that delegates bring their own laptops. Please note that laptops are encouraged but are not compulsory - delegates who don't bring their own laptops will be able to follow along quite easily as all spreadsheets and data are provided on a DvD.

We discuss all of the details of currency derivatives from:

I see you are famous!



Why?



Because your face is on the front of every R100 note!



- The framework for valuing derivatives including cost of carry, probability and stochastic processes.
- The ins and outs of currency forwards and forward cover.
- Pricing forwards and quoting convention.
- The different types of currency futures. *Both local and international futures will be referenced.*
- Pricing currency futures.
- Understanding and pricing Currency SWAPS.
- Understanding and pricing Cross Currency SWAPS.
- Understanding and pricing FX Swaps.
- Understanding currency options.
- The traditional Black - Scholes - Merton model.
- The Garman-Kohlhagen model.
- Calculating Options on Futures.
- The “Greeks”.
- Estimating volatility and correlation.
- Volatility smiles, Volatility surfaces, Volatility cones.
- Delta hedging and its risks e.g. gamma risk and vol risk etc.

Please refer to the agenda for more info.

Geometric Progression is accredited as a provider of education and training by BANKSETA. Accreditation number: 557066.

We are a B-BBEE level four contributor. We have a B-BBEE procurement recognition level of 100%. The rating was performed by the Department of Trade and Industry (the DTI).

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Level: Intermediate to Advanced

Duration: 3 Days. (8h45 - 16h30)

Prerequisites

It is important to point out that delegates are expected to be familiar with the different types of Currency Derivatives. In other words, it is expected that delegates will already be familiar with how the financial markets work and will have completed an introductory derivatives course covering what the currency derivatives are and the basics of how they work (please refer to the "Understanding FOREX" course for more information). Although the start of each of the topic includes how the products work and why we use them, the focus is on the valuation and the more technical aspects of the products.



Furthermore, delegates will be required to know and understand:

- The spot currency market.
- The currency market terminology e.g. base currency, terms currency, pips, quoting convention etc.
- The concept of margining and futures contracts.
- The basics of options and how they work.
- The concepts of trading e.g. bid, offer, yours, mine etc.
- The concepts of calculus i.e. the basics of differentiation and integration.
- The concepts of the time value of money.

Please note that pre-reading will be made available for all the delegates who attend the course. The pre-reading will only cover summary material of calculus, trading and the time value of money. The pre-reading is orientated to those who want to recap the key concepts.

Suitable for:

- Business analysts;
- Investment analysts and Research;
- Investors;
- Traders;
- Regulators & Compliance Staff;
- Risk Managers;
- Fund Managers & Trustees;
- Graduates and interns;
- Delegates registered to write CFA® exam, FRM® exam, PRM® exam;
- Anyone seeking a greater insight into the currency derivatives market;



A certificate is available on request

Cost & Details

This course is mostly run on an in-house basis and is occasionally run publicly. Please contact us if you are interested in either running the course internally or would like to attend a public course. Check out the website for more info. A notice will be sent out if you are on the email database.

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Agenda

1. **The tools you need to understand derivatives valuation.**

- Understanding fair Value.
- Expectation pricing versus arbitrage pricing.
- The cost of carry concept.
- Understanding probability, odds and gambling.
- Distributions.
- Martingales and sub-martingales.
- Stochastic Processes.



2. **Currency Forwards**

- The ins and outs of Currency Forwards and forward cover.
- The Interest rate parity and the forward Exchange rate.
- Forward exchange contracts.
- Pricing forwards and quoting convention.

Delegates will price the products using Excel and current data.

3. **Currency futures**

- The different types of currency futures. *Both local and international futures will be referenced.*
- Pricing currency futures.
- Balancing back to the JSE margin payments.

Delegates will price the products using Excel and current data.

4. **Currency and Cross Currency SWAPS**

- Understanding and pricing Currency SWAPS.
- Understanding and pricing Cross Currency SWAPS.
- Understanding and pricing FX Swaps.
- Quoting conventions.

Delegates will price the products using Excel and current data.

5. **Currency Options**

- The simple tree / lattice valuation.
- The traditional Black - Scholes - Merton model.
- The Garman-Kohlhagen model.
- Calculating Options on Futures.
- Balancing back to the JSE valuations and margin.

Please note that this section uses calculus. Background reading regarding the concepts of calculus will be made available for those who are a bit rusty and want to recap the concepts. Delegates will price the products using Excel and current data.



6. **Currency Option sensitivities**

- The Greek alphabet and the behaviour of the "Greeks".
- A look at estimating volatility and correlation.
- Volatility smiles.
- Volatility surfaces.
- Volatility cones.

Delegates will use Excel to calculate the "Greeks".

7. **Hedging Currencies**

- Delta hedging and its risks e.g. gamma risk and vol risk etc.
- Price jumps.
- Replication.

Again delegates will use Excel to calculate the appropriate hedges using live data.





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Tutor: Mark Raffaelli CFA,FRM

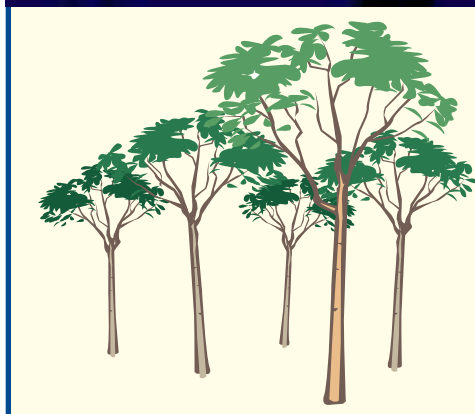
Mark graduated with a Bachelor of Commerce from the University of Natal, South Africa in 1990. He is a CFA Charterholder and a member of the CFA Institute. He is also a fellow member of the Global Association of Risk Professionals (GARP) and has the Financial Risk Manager (FRM) qualification. Mark's extensive experience ranges from trading in Spot & Derivative Products and Consulting to the development of Risk Models, Pricing Software and Trading Systems. Those who have been to Mark's courses will know about his passion for the financial markets and ability to cut through jargon, simplify technical issues and provide real life examples. He has been nicknamed the "Steve Irwin of the financial markets".



What makes Geometric Progression different from other providers:

- We don't regurgitate traditional textbooks; instead we share real life experiences.
- We explain all the products as they relate to your own lives in plain English.
- We look at how the products are used by the professionals and how you could use them yourselves to make money.
- We are one of the few providers globally that also runs courses on the more intricate aspects of the financial markets e.g. stochastic mathematics, matrices etc.
- We love multimedia and include video and film in our courses.

We also offer practical training e.g. we teach people how to trade as if they were on the desk so that they get a turn to find out what it is like. Excel and computer examples are used where required.



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Terms and Conditions

Customer Information:

Fees include all the tuition, course file, lunches and refreshments for the duration of the course. Geometric Progression is not responsible for covering airfares or other travel costs incurred by registrants. Delegates will be responsible for their own accommodation and transport.

Disclaimer:

Geometric Progression reserves the right to change or cancel any part of the training courses due to unforeseen circumstances.

Cancellations:

If you cancel more than 10 working days before the course date, there is no cancellation fee. If you cancel between 2 and 10 days before the course date, a cancellation fee of 50% will be charged. Any cancellation less than 2 days before the course date will result in the full fee being charged.

Substitutions:

Registered delegates may be substituted at any time prior to the seminar without incurring any additional fee. Please inform Geometric Progression of the change.

Payments:

Payments must be made prior to the running of the event unless otherwise agreed with Geometric Progression.

Confirmation:

All registrations will be deemed confirmed and subject to these Terms and Conditions. Any disabled individual desiring auxiliary aid for this conference should notify Geometric Progression at least one week prior to the conference in writing, fax or email.

PLEASE NOTE:

Geometric Progression reserves the right to refuse admission where evidence of full payment cannot be shown. Should you require an original VAT INVOICE to requisition payment, please contact us on (0861) 000 615.

Geometric Progression reserves the right to cancel the course. Registered delegates will be notified and a full refund will be made.



Geometric Progression

Email to: sandra@geometricprogression.co.za or

Fax to: (+27 11) 252 8089

Booking Form

Course: _____ Date of Course: _____

DELEGATE 1

First & Last Name: _____

Designation: _____

Company: _____ Department: _____

Tel: _____ Fax: _____ Cell phone: _____

Email: _____ VAT Registration No: _____

Postal Address _____

Special Dietary requirements (pls circle) None Kosher Halaal Vegetarian

DELEGATE 2

First & Last Name: _____

Designation: _____

Company: _____ Department: _____

Tel: _____ Fax: _____ Cell phone: _____

Email: _____ VAT Registration No: _____

Postal Address _____

Special Dietary requirements (pls circle) None Kosher Halaal Vegetarian

DELEGATE 3

First & Last Name: _____

Designation: _____

Company: _____ Department: _____

Tel: _____ Fax: _____ Cell phone: _____

Email: _____ VAT Registration No: _____

Postal Address _____

Special Dietary requirements (pls circle) None Kosher Halaal Vegetarian

Authorised By: Date:

Signature: