PENHALLOW ASSOCIATES LIMITED
A Financial Knowledge Company

Equity Derivatives

Classroom: Duration: 1 Day, Price: £745

Virtual Learning: Duration 6 Hours, Price: £580

The goal of the course is to provide a comprehensive overview of the main Equity derivatives. The focus is on how each instrument works, the various ways they are used, how they are priced and risk-managed.

Agenda

Introduction

- Defining derivatives
- Their key characteristics and how they differ from the underlying or 'cash' instruments
    - Deferred settlement
    - Often 'partial'

The instruments

- **Forwards and futures**
    - The similarities between 'Delta One' products
    - Equity forwards
        - Key terms and applications – going long and short, leverage v hedging
        - Pricing and hedging – the hedge ratio ('Delta 1'), funding costs, dividends, **shorting and the fee**
    - **Contracts For Difference (CFDs)**
        - Key terms – individual stocks and indices, contract size, the equity and interest 'legs', term - and applications
        - Tax advantage
        - Hedging and pricing
    - **Equity futures – e.g. stock index futures**
        - Key terms – contract size - amount per index point, expiry dates, cash-settlement - and applications, speculation and hedging
        - Pricing – in theory and practice, the link with ETFs
        - The 'basis', how and why it erodes to expiry, how this affects hedges
        - The Clearing House and risk management: the need for Variation and Initial margin

    - **Equity swaps**
        - Key terms – contract size, the two legs - and applications, e.g. strategic and tactical switching
        - Hedging and pricing
        - Variations, including price-only, FX-quantoed, etc.
- **Options**
    - Key terms – size, term, strike, styles – American and European and why there is less difference than you might expect
    - Call and put expiry pay-offs and 'moneyness'
    - Applications – e.g. fund managers, hedging, earning income via covered calls, collars and zero-cost collars
    - The leverage of OTM options and speculation
    - Time value and Intrinsic value illustrated
    - Intuitive pricing of Time value illustrated via the costs of dynamic or delta hedging
    - The different types of volatility – historic and implied – the VIX and some volatility trading strategies – straddles and strangles
    - Option key risks – gamma, the change in delta, vega, the impact of a change in vol; others – theta and rho
    - Other styles – e.g. Asian - and their attractions
    - Overview of Barrier and Digital options, their key terms, applications in building structured products and their risks

Trainer Profile

Mike Stafferton

Mike has over eight years' in-house experience in Derivatives and Origination with what was a top Japanese Securities house and over 16 years' experience as an independent consultant in the capital markets and related areas. He has a particular focus on Securitisation and Basel/CRD. He is also an Associate of Moody's.

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Company Number 12132522