



Foreign Exchange Trading Techniques and Updates Training

Description

Objectives:

- Describe the features and characteristics of spot and forward FX
- Explain the role of a market maker and end user
- Demonstrate how to price forward FX
- Apply forward FX from different client perspectives
- Discuss impact on FX from the credit crisis
- Explain and apply FX Options
- To provide a complete understanding of the properties and risk profiles of FX derivative products.
- To provide participants with a thorough understanding of the applications of FX derivatives so that they have the ability to advise their clients on strategies that may be used to meet specific hedging, trading and structuring requirements.
- To provide participants with a thorough understanding of pricing techniques used in FX derivatives.
- To provide participants with a thorough understanding of the risk management processes and techniques used in FX derivatives.
- To provide participants with a thorough understanding of the trading, hedging and investment strategies and techniques used in FX derivatives.

Course Outlines

A short recap of the properties and risk/reward profiles of FX derivative products?

- Derivative Products
- Futures
- Outright Forward Contracts
- Non Deliverable Forwards
- Currency Futures
- Options
- Conventional Currency Options

- Barrier Options
- Warrants
- Swaps
- FX Swaps
- Currency Swaps

Foreign Exchange

- Describe the features and characteristics of spot FX market functions
- Discuss the size, shape and dynamics of the FX market
- Discuss what impacts FX rates
- Determine base and counter/quoted currency
- Distinguish between big figures and pips
- Recognize FX terminology
- Discuss risk management and spot trading limits

Forward Foreign Exchange

- Identify the components of a forward “outright” FX transaction
- Describe and calculate the forward rate through the spot market and money market deposits
- Explain how a forward contract is quoted
- Discuss points, premiums and discounts
- Calculate a forward rate from the spot rate and points
- Apply forwards from an end users vantage point
- Discuss hedging
- Describe the features and characteristics of non-deliverable forwards (NDFs)

FX Swaps

- Describe the structure and mechanics of an FX swap
- Outline how FX swaps are used in place of deposits to hedge an FX outright
- Determine the advantages of using FX swaps
- Differentiate between an outright and a swap
- Recognize how the forward trader earns a profit
- Discuss risk management and forward trading limits

FX Derivatives

- Futures and Outright Forward contracts by a combination of
- Buying the base/pricing currency and selling the pricing/base currency
- Financing the position with currency repo
- Deriving the fair forward price by the maturity cash flows (interest rate parity)
- By using swap points that are traded in the market as a product in their own right
- Options using a variant of Black-Scholes Pricing model which requires inputs for:
- FX spot rate
- Two sets of interest rates
- Implied volatility
- Currency Swaps by decomposing into:

- An exchange of principal
- Two interest rate swaps
- A basis swap

FX Options

- Define calls and puts
- Explain different quoting methods
- Describe in, at and out of the money
- Show intrinsic value + time value = premium
- View payoff profiles of the respective options
- Identify the main pricing components of an option
- Analyze basic applications
- Discuss options on NDFs
- Discuss ISDA® documentation

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