



Introduction To Capital markets – Bonds and their derivatives

Basic entry level training
for dealers and financial
institution support
Personnel and candidates
for the **ACI Diploma**



LYWOOD DAVID
INTERNATIONAL
LIMITED

Dates:

Please see the 'Training Calendar' page

Venue:

London First Conference Centre
Suffolk St., London, SW1

Do you need your personnel to

- Appreciate the transactions able to be effected in the fixed income markets
- Be familiar with bond market quotation, pricing and valuation methods
- Be able to simulate the trading of a fixed income portfolio involving hedging strategies using bond derivatives,
- Understand the risks and risk management and reporting methodologies used in financial institutions.

The emphasis of the workshop is on Understanding theory through practical exercises and workshop sessions. Participants will learn how to price transactions and manage/hedge portfolios using a range of industry standard risk measurements with the objective of maximising returns in their institution's day to day trading activities.

Presentation sessions are supported by projected PowerPoint slides and participants will receive a comprehensive set of training notes.

Course structure

This course consists of classroom presentations, practical exercises and casestudies – giving participants an opportunity to experience the pricing/dealing requirements in an on-going bond market operation.

Course subject matter is fully supported wherever possible by clearly written documentation. Hard copies of slides and OHPs used in the presentations themselves can also be made available - participants should ask for further details.

The course explains the fundamentals of the markets and various arithmetic calculations involved, attempting to put the bond trader, fund manager and investor's roles into perspective within various styles of fixed income operation and the financial market environment as a whole.

Participant profile

Participants on this workshop can be traders, Corporate treasury personnel, fixed income support staff or IT systems development personnel. It is particularly relevant to financial control or risk management executives needing to be more aware of the intricacies of fixed income portfolio management. After participation they will be better placed to ensure that accounting records and management information supplied accurately identifies and interprets risk to meet the requirements of the end users / risk managers - the traders themselves and their senior management. It is also appropriate for candidates for the level 2 **ACI Diploma**.

Anyone with a desire to increase their knowledge and understanding of all aspects of the fixed income market will benefit from attendance with the overall aim to give all participants a greater depth of theory and market practicalities enabling them to perform their duties more confidently and to greater effect.

Presenter

Steve McGann, Managing Director of **Techne Associates** brings to **Lywood David International Limited** many years' experience of Bond markets and derivatives. Steve's unique skills include the science of technical analysis, using charts in forecasting rates in the foreign exchange and other financial markets. Since forming his own company in 1994 Steve has been offering Capital markets and technical analysis consultancy services and regularly presents open courses in London and provides in-house training and consultancy on behalf of client institutions world-wide.

Please see the 'Book on-line' page to make reservations for this training course

The three day course features the following highly participative sessions

ACI Diploma syllabus

how fixed income securities and their derivatives feature in the **ACI Diploma** syllabus

Characteristics of fixed income investment

Historical context of fixed income versus other markets, Motivation of Issuers, Investors and Intermediaries, Advantages and disadvantages of investing in fixed income, Fixed income product overview and investment variables, Hybrids - convertible bonds, FRN's, Risks associated with investment in fixed income

International Bond markets

Government bond markets, Eurobond markets, Origination, syndication and pricing of new issues, Ratings

Basic yield calculations in fixed income

Time value of money, Present and future value, Bond pricing, Accrued interest

Fixed income trading

Types of investor, Overview of fund management, Strategies of investment

Yield curve analysis and forecasting

Money rates through to bond yields, Term structure of interest rates, Creating yield curves, Uses of yield curves in financial management, Different approaches to measuring yield, Deducing the zero-coupon yield curve from the observed yields on coupon bearing treasuries, Deducing the forward rate

Techniques of Zero coupon pricing

The "need to know" essentials of pricing a bond using zero-coupon rates, Bond market conversions, How to find the zero-coupon rate through bootstrapping, Calculating zero coupon rates from government bonds

The three parts of the term structure of interest rates

Establishing the par curves (yield curves), Calculating the zero curves, Implying forward rates

Mastering Duration: The risk measurement tool

Getting a feeling for duration, The basis of duration (what it tells you!), Mastering the methods of accurate calculation, What modified duration can do for you. Analysing the price yield relationship, Recognising the errors of using modified duration, Making the best of convexity

Effectively applying Duration to your investment and trading decisions

Selecting the most "riskless" bond from the bundle, Identifying the optimal amount of bonds to fund a trade, Taking advantage of your market view, How to profit from changes in credit perception, Spotting cross currency trades

WORKSHOP SESSION

Practical strategies for profitable bond trading

Hedging with Futures Contracts

Overview of the futures markets and the exchanges, Margining futures positions, margin accounts, Settlement of contracts: delivery vs. cash, Key differences between futures contracts and forward contracts, Pricing and valuation of STIR Futures contracts, Spot and money rates to futures, FRA's and SWAP pricing, Liquidity of hedges, Stack vs. strip hedges

Bond Futures contracts

Cash and carry arbitrage, Reverse cash and carry arbitrage, Futures rates and implied forwards, Basis point values, Duration-based hedge ratios

WORKSHOP SESSION

Making the most out of Futures trading, Profiting from a view in forward rates using bonds

Overview of Fund management

Theory behind fund management, Active fund management, Passive fund management, Responsibilities of fund managers, Types of Funds, Conventional funds, Mutual funds and unit trusts, Tracker / Index funds, Hedge funds

Creating swap positions from trading bonds

Demystifying the swap mechanism, Distinguishing between basis swaps and coupon swaps, Avoiding the pitfalls of currency swaps, Taking advantage of swap windows when issuing bonds

Maximising your returns through arbitrage creating synthetic positions

Efficiently using swaps, Accurately constructing asset swaps, Identifying strategies for trading asset swaps, Creating a synthetic FRN, Running a synthetic fixed rate bond position, Pinpointing key arbitrage opportunities between FRN's and bonds, Creating forward starting positions, Asset swaps, Par-par structures, Discount structures, Premium structures

Tools of fixed income analysis

Yield curve comparisons, Technical analysis, Overview, Major disciplines, Duration, Convexity, Interest rate forecasting, Volatility analysis, Understanding volatility, Impact on bonds, Implied volatility, Hedging bonds, matching volatility

Asset allocation within the investment decision making process

Six stages to the investment making process, Determining clients aims and objectives, Asset / liability management, Strategic and tactical asset allocation, Global asset allocation, Cross-sector allocation and market timing, Security selection

Risk management techniques and reporting of positions

Identifying risk, Measuring risk, Managing market and credit risk, Introduction to Value at Risk

Bespoke training

LYWOOD DAVID INTERNATIONAL LIMITED's training events can be tailored to suit a financial institution's training needs and presented exclusively in-house. This becomes cost effective in London at around 6 - 7 participants, more quickly when long distance travel and accommodation costs need to be taken into consideration.

LYWOOD DAVID INTERNATIONAL LIMITED is a company dedicated to the promotion of a greater understanding of the international financial markets amongst all participants.

The company's aim is to provide high quality and affordable training and education on Treasury, Capital markets and financial issues to as wide a range of people as possible - this being achieved through offering open training courses plus in-house consultancy services to individual client institutions globally. The company has worked extensively in the EU and the developing financial markets of central and eastern Europe, the Caribbean, Africa, India, the Middle and the Far East.

Now in its twelfth year, **Lywood David International Limited** continues to offer a wide range of such training courses specifically targeted at financial markets professionals. These are presented by experienced practitioners and trainers putting great emphasis on the practical reinforcement of issues covered using the latest technology. Further details are available on the company's website: www.lywood-david.co.uk

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