

# INTRODUCTION TO THE CAPITAL MARKETS

**3<sup>rd</sup> – 5<sup>th</sup> December 2008**  
**Singapore**

**Objectives:**

During this programme participants will:

- Examine the inter-relationship between the main short- and long-term financial cash and derivative products
- Analyze the cash flow characteristics of these financial instruments
- Develop an understanding of the use of derivative instruments in risk mitigation and structuring
- For the day objectives, please refer to the individual days in the following outline

**Training methodology:**

The programme is highly interactive and it will encourage participation through exercises and case studies, which the delegates will solve individually or in small work-groups.

These activities are designed to allow delegates to practice and to consolidate the concepts that will be discussed during the lectured sessions of the program.

The program will focus on the practical realities of the market, rather than taking an excessively mathematical or academic approach.

**Who should attend:**

The programme is designed for:

- Client-facing capital markets staff
- Corporate treasurers
- Middle office staff
- Credit analysts involved in the capital markets
- Sales and distribution professionals
- Relationship Managers and Investment advisors
- Legal and compliance
- Institutional investors
- Portfolio managers
- Market risk managers

**Course Requirement**

No calculator is required for this.

**Course times:**

Each day of the course starts at 09:00 am.

**What is provided:**

Lunch, tea and coffee  
Course certificate

**What is NOT provided:**

Accommodation and travel arrangements should be booked by the delegate. Associated costs will be borne by the delegate.

# INTRODUCTION TO THE CAPITAL MARKETS

## Day One

### Forward FX, FRA's, Futures and Bond Markets

*By the end of the second day the participants will have*

1. *Understood the variety of investment opportunities in the short term money market*
2. *Become familiar with short term interest rate risk and how it is managed*
3. *Been introduced to the multitude of credit product in the capital markets and understood the meaning of credit spreads*
4. *Achieved an understanding of the process of securitisation*

### Introduction

- Overview of the capital markets and the role of derivatives in risk management

### Forward Foreign Exchange

- Deriving the forward rate
- Role of interest rate differentials
- Calculating forward points using the cash flows
- Forward cross rates

**Exercise:** Calculating forward foreign exchange rates

### FX Swaps and Interest Rate Arbitrage

- FX Swap conventions
- Cash flows in an FX swap
- Creating arbitrage opportunities with FX swaps

**Exercise:** Which route provides the best funding?

### Forward/Forward Interest Rates

- Short term interest rate risk
- Traditional risk management methods
- Forward/forward interest rate calculation

**Exercise:** Calculating forward LIBID/LIBOR rates using cash flows

### Short Term Interest Rate Derivatives

- Contracts for differences
- Forward Rate Agreements (FRAs)
- Using FRAs for hedging and trading
- Introduction to STIR futures

**Exercise:** Short term interest rate case study

### Bond Pricing

- Understanding the price / yield relationship
- Building blocks in fixed income pricing
- Understanding the IRR quality of yield-to-maturity

**Exercise:** Exercises with bond price and bond yield calculations

### Mini Case Studies

Put into practice what we have covered so far

# INTRODUCTION TO THE CAPITAL MARKETS

## Day Two

### Fixed Income

*By the end of the third day the participants will have*

1. *Calculated the price and the yield-to-maturity of a bond*
2. *Calculated zero coupon discount factors and understood their use*
3. *Understood the concepts of duration and convexity and the purpose for which they are applied*
4. *Become familiar with coupon stripping*

### Sensitivity Analysis of Fixed Income

- Concept of duration
- Calculating duration and modified duration
- The impact of convexity
- Using sensitivity as a risk management measure

**Exercise:** Changing the target duration of a bond portfolio

### Interest Rate and Asset Swaps

- Definition of an interest rate swap
- Applications of interest rate swaps
- The terms of an interest rate swap
- Bid-offer spreads & terminology
- Market practices & conventions
- Indicative term sheet
- Example of cash flows to fix interest expense
- Daily LIBOR fixings snapshot
- How FRAs relate to interest rate swaps
- Determining swap value
  - Buyout pricing
- Inflation linked bonds, swaps and applications

**Exercise:** *Calculating the buyout value of an interest rate swap*

### New Issues

- Coordination and information flows between Originations, the Relationship Banker and the Derivatives Desks (trading & sales)
- Pre-hedging discussions prior to the issue
- Relationship of swap spreads to spread to Libor
- Issuance process
- Post Issuance

**Exercise:** Price a new issue for a corporate client

### Basis Swaps

- Basis Swaps: single and cross currency
- Applications of basis swaps
- Conversion Factors

**Exercise:** Why banks give away free money

### Mini Case Studies

Put into practice what we have covered so far

# INTRODUCTION TO THE CAPITAL MARKETS

## Day Three

### Swaps and Options

*By the end of the fourth day the participants will have*

1. *Been introduced to the interest rate swap product*
2. *Performed calculations using combinations of bonds and swaps*
3. *Become familiar with the main classes of options*
4. *Understood the principal elements in option pricing*

### Cross Currency Interest Rate Swaps

- The CCIRS as two bonds
- Combining term structures to create cross currency IRS
- Pricing a cross currency IRS
- Valuing off-market cross currency IRS

**Exercise:** Marking a cross currency interest swap to market

### Overview of Credit Derivatives

- Overview of the credit derivatives market
- Credit default swaps versus bonds
- The next generation of credit derivatives
- Application of credit derivatives

**Exercise:** Discussion of the role of credit derivatives for a fund manager

### Overview of Option Products

- Features of interest rate and FX options
- Caps, floors, collars and swaptions
- Embedded options
- Use of exotic options

**Exercise:** Analyzing dual currency deposits and loans

### Case Study

- We will look at an institution which is exposed to a variety of asset and liability class.
- Using market data and client views, ideas will be constructed which are suitable
- The purpose is to spot opportunities and to think through why the ideas are appropriate

### Course Review

Course review and close

# INTRODUCTION TO THE CAPITAL MARKETS

## Simon Rogers

- Simon commenced his career in 1984 with Continental Illinois, working in the International Banking Division in London, Chicago and Brussels as a Relationship Banker.
- He moved to First Chicago in 1989, joining the Derivatives Group in 1990.
- He was recruited to CIBC Financial Products in 1995 in London, before joining ABN AMRO in January 1999 as Head of Derivatives Sales & Marketing for Europe, Middle East & Africa.
- He founded **Swapskills** in 2002, which specialises in derivatives training and consultancy. He has extensive experience across fixed income, equity and commodity derivatives and has covered clients in the public, financial and corporate sectors.
- Simon is the author of the Euromoney "Swaps in Practice: Products, Pricing and Applications" which was released in early 2005.

## Comments from previous participants

"Absolutely brilliant - thoroughly enjoyed taking part - inspiring."

"Will be very useful on a day to day basis for me."

"Clearly an authority on this subject."

"Very clear, succinct and interesting."

"You are the first person I have met that has made the murky world of derivatives comprehensible !"

"Given me greater confidence to discuss risks and derivative solutions with clients."

"Presenters' practical experience shows in the materials and subjects covered."

"An excellent trainer."

"Enjoyable and informative."

# INTRODUCTION TO THE CAPITAL MARKETS



TITLE .....

FIRST NAME .....

SURNAME .....

JOB TITLE .....

COMPANY .....

ADDRESS .....

EMAIL .....

TEL .....

FAX .....

I wish to attend

- Introduction To The Capital Markets (3 Days)      3<sup>rd</sup> – 5<sup>th</sup> December 2008

SIGNED ..... DATE .....

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## METHOD OF PAYMENT

- I enclose a **cheque** for US\$ 4,500 payable to **Swapskills Pte Ltd** .....
- I have made a **payment to your bankers** for US\$4,500 .....

**United Overseas Bank Ltd, 80 Raffles Place, UOB Plaza 1, Singapore 048624**  
Account Name Swapskills Pte Ltd  
Branch 7375, A/C No. **380-304-947-3, SWIFT Code UOVBSGSG**

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**PAYMENT** is required prior to the event. If you require an invoice, please inform us stating whether you need an original or a fax copy. Please allow a minimum of 7 days for payment to reach us and email, phone or fax us when it has been sent. Please state the event and delegate to which it relates.

**CANCELLATION** If you are unable to attend and let us know in writing 14 days or more before the course, an administration charge of only 10% of the course fee will be incurred. 50% of the course fee will be charged if you give between 7 and 14 days' notice. Thereafter, full payment is required, but a substitute delegate is welcome at no extra charge. This policy is necessary due to strict limitation on delegate numbers.

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