Introduction To Managing Commodity Price Risk

Objectives

During this programme, participants will

- Identified where corporates are exposed to commodity price risk
- Quantified the consequence of not hedging
- Seen how commodity futures work
- Understood how swaps and options can secure profit margins
- Covered how markets can be arbitraged to generate cheaper funding or higher yields

Training Methodology

The programme is highly interactive and it will encourage participation through exercises and group work that the delegates will solve individually or in small workgroups.

Who Should Attend?

This programme is designed for

- Relationship Managers
- Credit Officers
- Corporate Treasury staff

Course Duration

1 Day: 0900 - 1700

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Introduction To Managing Commodity Price Risk

Identifying Commodity Price Risk	▪ Identifying and quantifying commodity price risk – Commodities as an asset class (GSCI / MSCI) – The drivers behind spot commodity prices – How to quantify price exposure in a corporate client – Commodities in the context of the Mashreq footprint **Exercise:** Create a commodity hedging opportunity checklist
Commodity Futures	▪ Commodity Futures – The mechanics of the commodity futures markets: ▪ LME, NYBOT ▪ The settlement process ▪ Understanding standardized contracts ▪ Margin calls – Using CCRV in Bloomberg **Video:** the working of the New York Board of Trade (NYBOT) **Exercise:** Margin calls on a futures contract
Commodity Swaps and Options	▪ Commodity Swaps and Options – The uses of swaps and options to provide flexible hedging alternatives – The importance of payoff diagrams – Suitability and appropriateness when dealing with options – Strategies to reduce option premium **Exercise:** Mini case studies to identify suitable hedging strategies based on a client's opinion
Understanding Market Dynamics: Metals	▪ Focus on Metals – Precious ▪ Gold, silver, platinum, palladium ▪ Uses in the retail and commercial markets – Base • Copper, aluminium, tin, nickel – Steel markets – Cross currency gold swaps – Metals as an asset class – Structured Inventory Product and off balance sheet financing – **Video:** Workings of the London Metal Exchange (LME) **Exercise:** Mini case studies involving metal price risk

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Understanding Market Dynamics: Energy	▪ Crude Oil – Quantifying the consequences of not hedging – Price Drivers – Exploring oil distillates ▪ Crack spreads **Exercise:** Looking at crack spreads
Commodity Investments	▪ The rationale for investing in commodity-linked assets – Range accrual notes – Bullish notes Exercise: Mini case studies involving commodity positions
Course Review And Close	

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