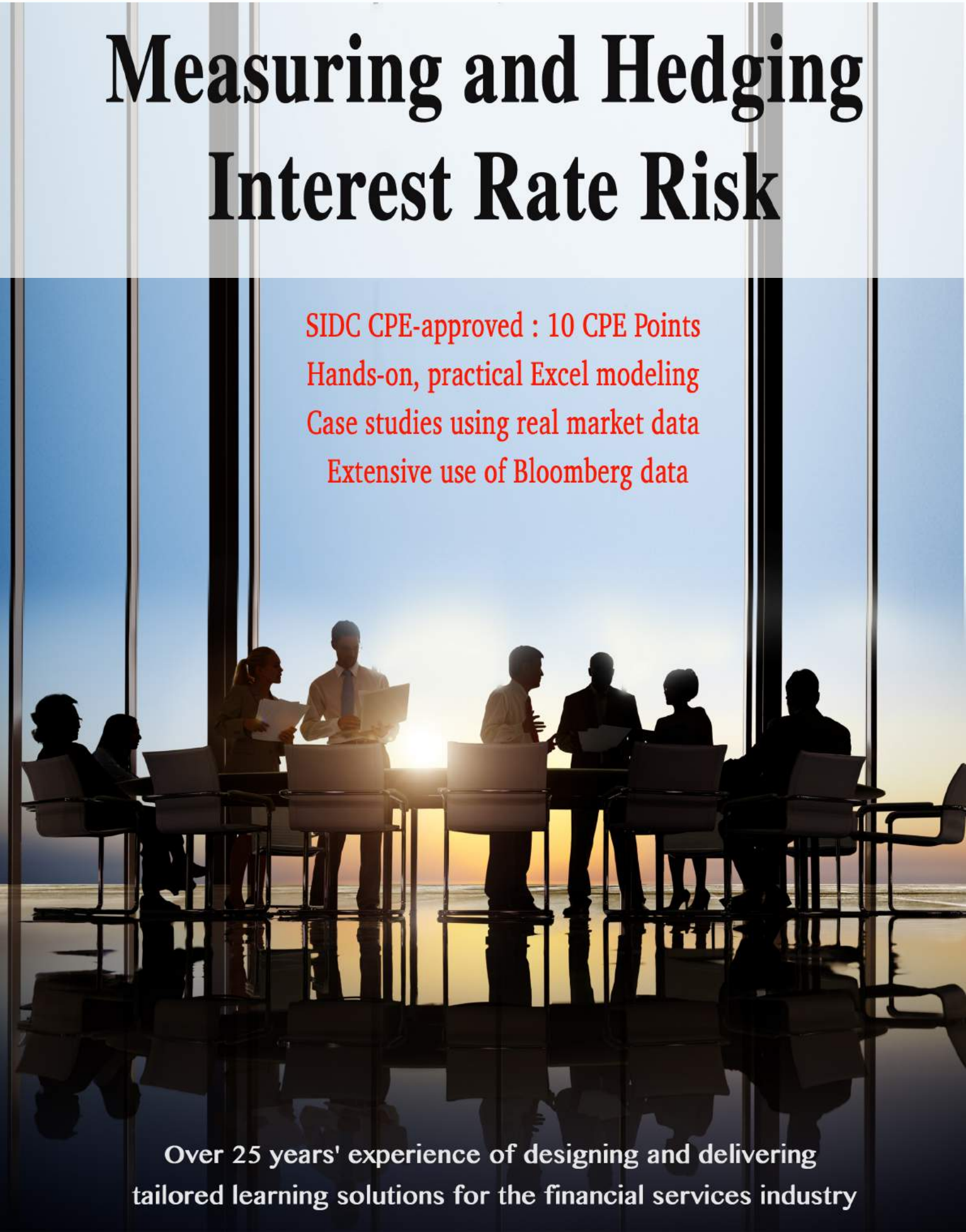
Measuring and Hedging Interest Rate Risk

SIDC CPE-approved : 10 CPE Points

Hands-on, practical Excel modeling

Case studies using real market data

Extensive use of Bloomberg data



Over 25 years' experience of designing and delivering tailored learning solutions for the financial services industry

Measuring interest rate risk – Duration

- *Calculating the DV01 for a simple bond*
- *Duration as a measure of the "average life" of a bond*
- *Duration as a metric of yield sensitivity*
- *The drivers of duration - maturity, coupon and yield*
- *Risk and DV01 versus duration*
- *Hedge ratios*

Overview of plain vanilla interest rate swaps

- *Day count conventions*
- *Modified following and holiday conventions*
- *Adjusted and unadjusted*
- *Calculating cash flows*

Overnight index swaps

- *Basic structure*
- *Bloomberg examples*
- *OIS - rationale*
- *Swap payments and P&L calculations*

Introduction to yield curves

- *Drivers of the yield curve*
- *Shapes of the yield curve through the economic cycle*
- *How the yield curve moves, twists and butterflies*
- *German and Malaysian curve through the economic cycle*

Modelling an interest rate swap

- *What does LIBOR represent?*
- *Calculating cash flows and discount factors using LIBOR*
- *Calculating discount factors using FRAs*
- *Building out the curve*
- *Forecasting fixed leg*
- *Bootstrapping the curve*
- *Forecasting the floating leg*

Forward starting swaps

- *Non generic swaps*
- *Conventions for forward starting swaps*
- *Pricing by hedging*

Using futures to hedge interest rate risk

- *Review of the futures markets and contract specifications*
- *Short term interest futures – global examples*
- *3 month KLIBOR contract*
- *Government bond futures – global examples*
- *3yr and 5yr Malaysian government securities futures*

Corporate Learning Consortium

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