

Course: Fixed Income Derivatives

Teacher: Aymeric KALIFE

Semester 2

Number of hours: 30

Overview

Departing from a basic knowledge of cash Fixed Income market and based on real option trade ideas, this course bridges the gap between rates and rates derivatives by proposing enhanced strategies, for either investment or hedging purposes.

By explaining and dissecting the risks from a risk/return/cost perspective by means of real life examples, it equips the audience with the skills to price and risk manage the most common and complex options: why there is an investor demand, where the risks lie, how this affects the actual pricing, how best to hedge them.

This knowledge is then applied to investment portfolio strategies, from passive (benchmark-tracking) to active interest rates portfolio management. Finally various views about the level and shape of the yield curve are implemented with selected absolute and relative value trades. We also show how futures/options/swaps can be used effectively to implement “Directional” and “Volatility” strategies.

Course Objectives

The objective of this course is to give an all round comprehensive knowledge and understanding of the theory and the day-to-day use of interest rates derivatives, for both investment and hedging purposes. Participants will learn how banks, portfolio managers and corporate treasuries use rates derivatives alike in the management of risks, for trading, hedging and arbitrage and their role in the day-to-day running of the finances of businesses.

Course mechanics

Each session focuses on a topic departing from a real trading case applied to a specific situation, and illustrated by investment bank research pieces and newspapers articles. Both fundamental and volatility-based information, coupled with the necessary Excel spreadsheets tools are provided.

Grading

Exam 50 %

An individual memo on a specific trade idea 50 %