Tutorials by Frank J. Fabozzi Associates

Interest Rate Risk Management and Derivatives

	Typical Schedule ***Day 1:*** Registration: 8:55-9:00am Class: 9-4:30, Lunch: 12-1 ***Day 2:*** Class: 8:30-12:30

COURSE OUTLINE:

Measuring Interest Rate Risk to Level Changes

- Price Value of Basis Point
- Duration and Convexity
- Effective Duration/Convexity versus Modified Duration/Convexity
- Dollar Duration
- Full Valuation Approach versus Duration/Convexity Approach
- The Importance of a Valuation Model
- Value at Risk

Measuring Exposure to Yield Curve Shifts

- Limitations of Duration/Convexity to Nonparallel Yield Curve Shifts
- Key Rate Duration

Using Interest Rate Futures to Control Interest Rate Risk

- The Principles of Hedging and Interest Rate Risk Control
- Preliminary Steps in Hedging
- Constructing the Hedge Ratio
- Risks Associated with Hedging with the Treasury Bond Futures Contract
- Altering the Duration of a Portfolio with Futures

Using Options on Interest Rate Futures to Control Interest Rate Risk

- Options on Futures versus Options on Physicals
- Complications of Hedging with Options on Futures
- Protective Put Buying Hedge Strategy
- Covered Call Strategy and Its Limitations
- Creating Collars
- Comparison of Hedging with Futures and Futures Options

Using Interest Rate Swaps, Caps and Floors to Control Interest Rate Risk