

Swaps: Applications and Pricing

COURSE OUTLINE:

Swap Concepts

- Origins of the Swaps Market
- Definition and General Classes of Swaps
- Development of the Swaps Market
- Swap Terminology

Characteristics of Swap Contracts

- Interest Rate Swaps
- Currency Swaps
- Commodity Swaps
- Equity Swaps

Swap Pricing

- Basic Financial Concepts
- The Principle of (No) Arbitrage
- Forward Rate Agreements
- Pricing and Valuation of Interest Rate Swaps
- Pricing and Valuation of Currency Swaps
- Pricing and Valuation of Commodity Swaps
- Pricing and Valuation of Equity Swaps
- Common Variations

Some Misconceptions About Swap Pricing

- Swap Risks
- Market Risk
- Credit Risk
- Other Risks
- How Dealers Manage Risks
- Risk Management

Applications of Swaps

- Converting Floating (Fixed) Rate Debt to Fixed (Floating) Rate Debt
- Managing Foreign Exchange Risk
- Creating or Hedging Structured Notes
- Implementing Asset Class Changes
- Total Return Swaps for Managing Credit Risk

Swaptions: Options on Swaps

- Basic Structure and Payoffs of Swaptions
- Uses of Swaptions
- Forward Swaps

Financial Engineering and Risk Management of Swaps

- Binomial Modeling of the Term Structure
- Binomial Pricing of Swaps and Related Hedging Instruments
- Delta-Gamma Hedging