



MONECO FINANCIAL TRAINING

FOREIGN EXCHANGE MARKETS MASTERCLASS

March 4-5, 2019

Lecturer: Mark Taylor

Upcoming Seminar

Attend this 2-day training course and learn about:

- **The size and scope of the world's largest financial market place**
- **The spectrum of FX products – from spot trades to exotic options**
- **How the market works and how orders are executed**
- **Why FX rates move and what drives them**
- **How banks operate in the FX market – the role of the market maker**
- **Investing in FX – forming a view, executing trades, using stop-loss and take-profit orders, investing with options**
- **How companies encounter FX risk and how to hedge against it**
- **Executing the corporate hedge – making the decision, choosing the right product, dealing with banks**

This 2-day course offers a detailed analysis of the Foreign Exchange market place, the products that trade within it, and how it is used by traders, investors and companies.

On day one, we start with the basics of FX – how are the rates quoted, what drives movements in the price, what are the products? We then look at trading and investing in FX. From a trading perspective we examine what happens within banks and the role of the market maker, looking at how banks operate profitably in the FX market. Next, we look at the investment aspect of FX. How do investors form a view on a currency pair? How do they execute the trades and manage their exposure through limit orders? We look at how including options in your investment approach allow the formation of a more bespoke view on the market. We also look at the downsides of investing with options, including exotics.

On day two we move our focus to the company. We analyse how companies encounter FX risk through transaction and translation effects, using real company accounts as our evidence. We look at the variety of hedging approaches available and assess the pros and cons of each. We examine the hedging decision making process – how do real companies make these decisions? And we also look at the process of interacting with banks – what's the process, what are the rules, and what do they get out of it?

The course finishes with a series of case studies examining both the investment and hedging aspects covered during the two days.

Who should attend?

- Bank traders, salespeople, structurers
- Bank market risk managers, middle office and operations professionals
- Investors – institutional investors, fund managers, private traders
- Company treasury managers and staff, accountants, risk managers

Course methodology

The course consists of classroom-based training which combines formal teaching of concepts and technical content, with individual and group exercises to reinforce learning points.

MONDAY, MARCH 4

09⁰⁰–09¹⁰

Welcome and Introduction

09¹⁰–12³⁰

FX Market Overview and Products

- Spot FX – the market for immediate delivery
 - How big is the Spot FX market? Who are the participants? What are their motivations?
 - What moves the price?
 - How important are trade flows and speculative flows?
 - The role of interest rate differentials and interest rate parity
 - Purchasing power parity and current account balances
 - Currencies that are linked to commodity prices
 - How and why do central banks intervene in the FX market?
 - How to execute Spot FX trades
 - Understanding the bid-offer spread
 - Execution for the retail trader – Spot FX brokers, CFDs
 - Execution for the bank trader – electronic trading systems, interbank voice broking
 - Execution for the investor/corporate treasurer – market makers, e-commerce platforms
- Forward FX – the market for future delivery
 - What is the rationale behind the Forward FX market?
 - How are Forward FX prices quoted?
 - Analysis of the pricing of Forward FX
 - 'Cash and carry' forward pricing

- Is the Forward FX price a prediction of the future or merely a mathematical result?
- Pricing long-dated Forward FX
 - Executing Forward FX trades
 - Understanding the 'forward points' quoting system
 - Fixing the spot reference for outright forward dealing
 - Adding a Spot FX and Forward FX trade together – the 'FX Swap'
 - Applications of FX swaps
- The FX options market
 - Understanding how options work
 - The 'right but not the obligation' – how do we choose whether to exercise our right?
 - Analysis of payoff profiles and option combinations. What is put-call parity and why is it important?
 - Using FX options to express a view on the market or hedge a risk exposure
 - Intuitive understanding of option pricing
 - From binomial pricing to the Black-Scholes formula
 - Executing FX option trades
 - How is the price quoted? Who makes the market?
- Understanding FX volatility
 - What is volatility? How do we measure it?
 - What is meant by 'volatility smile and skew'?
 - How to calculate historical volatility
- Introduction to exotic options
 - Barrier options and digitals
 - How do we use and execute exotic FX options?

12³⁰–13³⁰

Lunch

13³⁰–17⁰⁰

FX Trading and Investing

- FX trading within banks – the market maker
 - How do market makers make prices?
 - How do market makers manage their portfolios?
 - What determines the width of the bid/offer spread?
 - Discussion of market making in liquid and illiquid markets
- FX markets for investors
 - What do investors look for from the FX market?
 - What are the differences from other asset classes?
 - Developing a view on a currency pair
 - Different views – up, down, neutral, range-bound, break-outs, trends
 - Designing a strategy to fit the view – choosing the right product
 - Carry trade analysis
 - Does your view benefit from high or low volatility?
 - Executing your view
 - Dealing with market makers
 - Trade size and the bid/offer spread
 - Order types in the FX market
 - Using take-profit and stop-loss limits to manage risk
 - Investing using options
 - What do options offer the FX investor?
 - How to tailor option combinations to benefit a more specific view
 - Using relative value opportunities in volatility to enhance investment outcomes

- Trading FX options
 - Executing FX option trades on a ‘vol price’
 - Introduction to option risk management
 - Using and understanding the volatility smile
 - Why does volatility change with expiry date?
- Using exotic FX products
 - Using exotic options to express an investment view
 - Pros and cons of using exotics for investors
 - Using barrier and digital options to take a more specific view
 - Investing with more complex exotics – Autocallables, TARFs
 - How does the trading of exotics affect underlying FX markets?

TUESDAY, MARCH 5

09⁰⁰–12³⁰

FX Risk Management in Banks and Corporate Treasuries

- How does FX risk arise with a company?
 - Transaction risk
 - Translation risk
 - Understanding the implicit risk position of the company
- The hedging decision
 - Why hedge?
 - How much to hedge?
 - Specific cash flow hedges versus rolling hedges
 - How does the typical company make the hedging decision?
 - Comparing to peers, does it matter what they do?
- Hedging contingent exposures
 - What are contingent exposures
 - How can we hedge a risk that is not market-related?

- What products do banks provide to help companies with contingent hedging?
- How does the bank manage the contingent risk?
- Product choice
 - Hedging with spot and forward FX
 - One-off or repeated trades
 - ‘Flat’ forward rate contracts for repeated trades – how do they work?
 - Cross-currency swaps – how do they work? How do they differ from FX Forwards?
 - Hedging with vanilla FX options
 - Buy options as insurance
 - Using collars and participating forwards
 - Selling ‘covered’ options
 - Using more complex structures
 - Quanto products – changing the payment/reference currency
 - Extendible forwards, Forward Plus, Knock-out Forwards, Accrual Forwards
 - Target Redemption Forwards (TARFs)
 - When is it a hedge and when is it not?
- Other hedging issues
 - Appropriateness and suitability rules
 - Hedging accounting under IFRS9 – why does it matter?

12³⁰–13³⁰

Lunch

13³⁰–17⁰⁰

Applications

- Case study – expressing an investment view
 - Specifying the view
 - Analysing the available products
 - Calculation of investment amounts
 - Calculation of investment returns in different scenarios
- Case study – hedging contingent risks
 - Defining the risk
 - Analysis of hedging with normal market products – spot, forward, options

- Hedging using a ‘Contingent Forward’ trade
- Pricing the Contingent Forward
- What are the pros/cons of all hedging approaches?
- Case study – hedging investment FX risk
 - Analyse an investment in a foreign currency
 - Use an FX swap to create a synthetic asset in home currency
 - Analyse results – do they make sense?
- Case study – hedging corporate FX
 - Dealing with banks - what do banks get out of dealing with corporate clients?
 - What happens to the risk once the company has hedged?
 - Understanding how banks profitably seek and manage risk on derivative contracts
 - Analyse real-life company reports
 - What is the magnitude of their FX risk?
 - How do they currently hedge their transaction and translation risk?
 - What is driving their hedging decision making process?
 - How is it represented in the accounts?
 - Would you do it differently? If yes, why?
- Hedge the option portfolio
 - Analyse the risk profile of an option portfolio
 - Use other market options to hedge the position
 - What residual risk is left?
 - Perform scenario analysis of the ‘hedged’ position. Does the hedge work?
 - Analyse the risk of a digital option
 - Is it possible to hedge a digital with vanillas?
 - Perform a scenario analysis on your hedged digital position. Does the hedge work? What risk are you left with?

Lecturer: Mark Taylor

Mark spent 10 years as an FX and interest rate derivatives trader in London, HK and New York before moving into financial training, where he has spent the last 9 years. His trading experience spans vanilla and exotic products having run profitable businesses across the derivatives product spectrum.

Mark graduated from the University of Bristol with a first-class degree in Aeronautical Engineering. He had a brief stint as an aerodynamicist working on military aircraft design for BAe Systems, before moving into finance, first with Deutsche Bank and then RBS.

After leaving finance Mark bought, ran and subsequently sold a retail business; in the process developing a first-hand understanding of company valuation, accounting, as well as company financing and risk management.

Mark uses his experience in financial markets and the corporate world to run engaging training courses across both the markets and corporate finance disciplines.



Terms and Conditions of the MONECO Financial Training

MONECO Financial Training

MONECO Financial Training offers a comprehensive programme of English-language seminars, trainings and practical workshops lectured by qualified tutors. Our objective is to provide the industry professionals with advanced financial know-how and up-to-date analytical methods and skills.

Seminar Venue and Accommodation

The bulk of the MONECO seminars are traditionally held at the international four-star NH Prague Hotel in Prague, Czech Republic. Since we are expanding our training activities, we run some selected seminars also in other European destinations. Accommodation is not included in the seminar price, but upon request we are happy to offer you hotel reservations in every of our training destinations at special discounted prices for our valued clients.

Tuition Language

Seminar tuition is in English language, as are all manuals, training software etc. Therefore, in order to benefit from participation, at least a passive knowledge of English, including common financial phrases and related terminology, is required.

Registration

Clients who decided to participate, should submit us in advance a registration for a particular seminar (letter, fax, internet etc.). Subject to availability, the participant will then receive a confirmation of participation. The number of participants is always strictly limited in order to secure an effective and focused learning environment.

Seminar Prices

The quoted seminar prices are per person and include all the training manuals, lunches and refreshments, certification diploma in English and selected software solutions used at the seminar. The price does not include hotel accommodation. Quoted prices are exclusive of local VAT (21 %) "Bundle" prices represent the total fee for participation in mutually related seminars (i.e. "Bundles 3+2, 2+3, 2+2, 3+1, 1+3, 1+2+2 and 2+2+1"). "Bundle" prices are provided in the Calendar of the MONECO Financial Training seminars.

Discounts

Bulk discounts are offered when submitting an application for the participation of more than one person. A 10 % discount is offered when at least two participants from one company register for a seminar or one participant registers at once for two or more seminars. The discounts do not apply for "bundle" prices, as these already represent discounted prices.

Invoicing and Payment

An invoice for the seminar price will be sent to the participants no later than 10 working days prior to the beginning of the seminar. **Full payment of the invoice must be made before the start of the seminar as a precondition of participation.**

Terms of Cancellation

If for whatever reasons a registered participant is unable to attend, a substitute delegate may be appointed to participate instead. For cancellations received 20 days or more before the beginning of the seminar, a 10 % cancellation fee of the full price will be invoiced i.e. 90 % of the price is refunded. **For cancellations received less than 20 days prior to the beginning of the seminar, the full price is payable i.e. no refund will be provided. All cancellations must be in writing.** The organizers of the MONECO Financial Training courses reserve the right to cancel the individual participation or cancel the entire seminar or part of it for whatever unspecified reasons, including possible force majeure. In this case, the price paid will be refunded in full or in part, accordingly.

REGISTRATION FORM

• Foreign Exchange Markets Masterclass

March 4 – 5, 2019

€ 1,260

COMPANY

Name:

Approving Manager:

Person responsible for training:

Address:

Tax Registration No.: VAT Identification No.:

PARTICIPANTS

1. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

2. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

3. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

Date: Signature: