



# TRADING & HEDGING SHORT- TERM INTEREST RATE RISK



ICMA Executive Education is a joint partnership between the International Capital Market Association and the ICMA Centre, Henley Business School, University of Reading





## INTERNATIONALLY RECOGNISED QUALIFICATIONS FOR THE **FINANCIAL MARKET**

### **COURSE OVERVIEW**

This course looks at over-the-counter and exchange-traded instruments related to short-term interest rates. These instruments are compared and contrasted in terms of interest rate exposure and credit risk, with their relative value assessed as tools for hedging and expressing views about changes in the yield curve.

Attending the course will help you:

- Look at hedging with STIR futures
- Find out about market directional, relative and curve trade
- Understand monetary policy and the yield curve

## COURSE CONTENT

The course content is divided into several topic areas, which are then broken down into multiple subtopics:

### 1. Money Market Rates and Instruments

- Interbank deposits (LIBOR, Euribor) and certificates of deposit
- Treasury bills, bank bills and commercial paper
- Repurchase agreements

### 2. Short-Term Interest Rate (STIR) Futures

- Eurodollar STIR futures
- Margining, clearing and settlement

### 3. Forward Rate Agreements (FRAs)

- FRA settlement
- Convexity in FRAs

### 4. Hedging with STIR Futures

- Basis point value (BPV) of money market instruments
- Hedging and basis risk with STIR futures
- Implementing Eurodollar STIR futures hedges with packs and bundles

### 5. Central Banks, Monetary Policy and Yield Curve

- Targets and instruments of monetary policy
- Expectations and the impact of monetary policy
- Interest rates and exchange rates in an open economy

### 6. Market Directional Trades

- Outright trades with cash instruments
- Outright trades with STIR futures

### 7. Curve Trade

- Calendar spreads (path of forward rates)
- Other curve trades

### 8. Relative Value Trades

- Treasury-Eurodollar (TED) spread, term TED spreads and credit risk
- LIBOR-OIS spread and counter party credit risk

### 9. Interest Rate Swaps and STIR Futures

- Hedging and pricing swaps with STIR futures
- Convexity adjustment for implied forward rates

### 10. Basis Swaps

- Basis swaps and cross-currency basis swaps
- Overnight index swaps (OIS)

### 11. Carry Trades

- Covered and uncovered interest rate parity
- Risks in carry trades

### 12. Caps and Floors

- OTC interest rate caps, floors and collars
- Simple interest rate risk management with caps and floors

### 13. Options on Eurodollar Futures

- Constructing caps and floors with options on Eurodollar futures
- Curve trades

### 14. Options on other STIR Futures or Short-Term Rates

- Treasury bills
- Federal

## COURSE FORMAT

The course is a two day classroom-based programme, taking place in London throughout the year. This is a non-examined course but delegates will receive a certificate of attendance, issued jointly by ICMA and Henley Business School, University of Reading.

## TARGET AUDIENCE

Although no prior knowledge of interest rate derivatives is assumed, familiarity with the basic types of derivative security (forwards and futures, swaps and options) is recommended. Participants should have a basic understanding of fundamental financial market concepts such as present value, risk and return.

Candidates who attend the Trading & Hedging Short-term Interest Rate Risk course qualify for 13 credit hours under the guidelines of the CFA Institute's Continuing Education Programme.

## ICMA EXECUTIVE EDUCATION

For many years ICMA Executive Education has been regarded as the benchmark in training for both the front office and operations areas of business. Our qualifications and training programmes are internationally recognised and are required training by many of our member firms. ICMA Executive Education is unique in that ICMA and the ICMA Centre, Henley Business School, University of Reading work together to deliver training courses, taught by current and former financial markets practitioners which blend practical and academic know-how, so that candidates have a thorough understanding of the topics being discussed.

Seven examined qualifications are offered:

- Financial Markets Foundation Qualification (FMFQ)
- Securities Operations Foundation Qualification (SOFQ)
- Introduction to Fixed Income Qualification (IFIQ)
- Introduction to Primary Markets Qualification (IPMQ)
- ICMA Fixed Income Certificate (FIC)
- Operations Certificate Programme (OCP)
- Primary Market Certificate (PMC)

All are recognised as certificates of competence in the capital markets and are successfully completed by large numbers of international participants each year. In addition to our examined qualifications we also offer a selection of non-examined training programmes throughout the year. These programmes look at a single topic from the syllabus of one of our intermediate qualifications, but are explored in much greater depth to a targeted audience. The training is extremely focused and provides an opportunity to network and discuss the issues affecting the financial markets with your industry peers.

ICMA Executive Education is able to provide any of its public qualifications and training programmes on an in-house basis.

## ICMA CENTRE

The ICMA Centre, University of Reading has an international reputation for providing quality teaching programmes tailored to the capital markets industry. Established in 1991 with funding provided by the International Capital Market Association (ICMA), the Centre is housed in a purpose-built modernist building with state-of-the-art facilities including two dealing rooms. In 2008, ICMA enabled an expansion to the building that now includes an additional 50 seat dealing room, 170 seat lecture theatre as well as new seminar rooms and a dedicated research area.

## THE INTERNATIONAL CAPITAL MARKET ASSOCIATION

The International Capital Market Association (ICMA) represents financial institutions and other participants in the international capital market worldwide with over 500 members in over 60 countries. ICMA's market conventions and standards have been the pillars of the international debt market for close to 50 years, providing the framework for good market practice which facilitates the orderly functioning of the market. ICMA actively promotes the efficiency and cost effectiveness of the capital markets by bringing together market participants including regulatory authorities and governments.

## FURTHER INFORMATION AND REGISTRATION

For further information and to register for any of our programmes, please visit:

[www.icmagroup.org/education](http://www.icmagroup.org/education)

or contact us at: [education@icmagroup.org](mailto:education@icmagroup.org)

### International Capital Market Association Limited

23 College Hill,  
London EC4R 2RP  
United Kingdom  
Tel: +44 (0)20 7213 0310  
Fax: +44 (0)20 7213 0311  
Email: [education@icmagroup.org](mailto:education@icmagroup.org)  
[www.icmagroup.org](http://www.icmagroup.org)

