Interest Rate Options – Pricing and Trading

June 16, 2011, Stockholm

June 16, 2011

09.00 **Welcome and Introduction**

09.15 **1. Introduction to Interest Rate Options**

- Conventions
- Definitions
- Building blocks from IRGs to swaptions

10.15 **2. Pricing Input Variables**

- Swap zero coupon yields
- The discount function
- The term structure of volatility
- Calibrating the volatility curve
  - Using caps, floors and swaptions

11.00 **3. Pricing and Valuing Interest Rate Options**

- Standard caps, floors and swaptions
- Step up/down caps and floors
- Constant maturity swap caps and floors
- Combinations:
  - Puttable swaps
  - Callable swaps

12.00 **Lunch**

13.00 **3. Pricing and Valuing Interest Rate Options - cont**

14.00 **Coffee break**

14.15 **4. Trading Interest Rate Options**

- Options trading – general considerations
- Hedging corporate interest rate exposure
- Hedging life insurance asset liability mismatch
- Hedging the risk exposure of a swap book
- Relative value trading:
  - Bund options v. swaptions
  - Swaptions v. inflation swaptions
- Speculative trade on the shape of the yield curve using caps, floors and swaptions

16.30 **Summary and Evaluation**

Price
The price for the course is SEK 7,000. The price is inclusive of course material, lunch, and refreshments.

Instructors
Carsten Mygind Feldt
Ulrik Strandgaard

Rådhuspladsen 16, DK-1550 Copenhagen V
Tlf.: +45 70 23 23 10, info@FTPcourses.com
www.FTPcourses.com

Financial Training Partner A/S