



**Basis Seminar
FX
Management**

lucht probst associates gmbh

große gallusstraße 9

D-60311 Frankfurt

phone +49 (0) 69 / 97 14 85-0

fax +49 (0) 69 / 97 14 85-79

anmeldung@l-p-a.com

www.l-p-a.com

Basis Seminar FX Management.

Foreign exchange markets are increasingly in the focus of various client groups. Private investors and fund managers invest in the product FX as an alternative asset class. Hedge funds convert interest rate arbitrage transactions into different currencies, exporters and importers are looking for ways to hedge against exchange rate fluctuations, and refinancing in low-interest currencies are increasingly used for investment purposes.

In order to implement the consultation of your clients competently and successfully, the precondition is the knowledge of a greatly increased range of product diversity and product depth. The aim of this seminar is an intensive training in the basic themes of currency management. On the one hand, the focus will be on the theoretical foundations, and on the other hand, in particular, on the intensive examination of the products as to their use in sales.

Seminar Content:

We will cover the following topics:

- Financial instruments of the foreign exchange market
- Pricing of FX options by duplication and modeling
- Sensitivities and Delta hedging
- Duplication of exotic products

The topics will be depicted and accompanied by numerous exercises – in

particular by using the spreadsheet programme EXCEL.

The seminar will be held in the form of interactive lectures, which are accompanied by intensive practice sessions.

Target Audience:

Employees from the areas of sales and trading, corporate client service and back office

Our Strengths:

- Many years of experience in practice-oriented seminars
- Complete practical relevance
- Computer-assisted approach
- Detailed seminar documents

Seminar Dates:

Date:	TBD
Duration:	2 days
Participants:	up to 12 employees
Location:	premises of LPA in Frankfurt (Main)
Trainer:	LPA Senior Consultants

Registration and Information:

By phone:	+49 (0) 69 / 97 14 85 – 0
By e-mail:	anmeldung@l-p-a.com

Seminar Schedule.

Welcome!

- Words of welcome by the seminar leader
- Distribution of seminar materials
- Objective of the seminar
- Introduction of seminar participants and their expectations

FX Basics

We will work out the basics of the FX market with you – which standard quotations are common? What are „pips“ and „big figures“? How do FX forwards function and how are they quoted? How is an FX forward determined in conjunction with spot and interest trades? What are the alternatives for a company that wishes to hedge the FX risk, and what characteristics distinguish the individual alternatives?

This thematic block will be concluded with an analysis of factors influencing the price of plain vanilla options (spot, strike, interest, duration, volatility). Here, the mode of action of these influencing factors will be justified by means of easy-to-remember rules of thumb.

Option Price Theory

By the use of a simple model (one-period model), the basic functionality of option price models will be explained. What is the significance of model parameters such as exercise or cancellation probabilities? What is the fundamental difference between risk management of insurance companies to the risk management of a bank? Why is it called „risk-neutral evaluation“ and „risk-neutral probabilities“?

Starting from the one-period model, the binomial model (Cox-Ross-Rubinstein) and the Black Scholes model will be introduced. In particular, the role of volatility in these models will be examined: What is the role of volatility in option price models? How is volatility used in options trading? What is „implied volatility“, and what is in contrast the „historical volatility“? What is meant by a „smile curve“, and how does it come about?

Classic Option Strategies

By the use of simple option strategies (Bull Spread, Bear Spread, Straddle, Strangle, Butterfly Spread, Risk Reversal), the participants will work on structuring tasks, and it will be discussed which strategies are appropriate instruments for which purpose and market participants.

Exotic Options

A selection of exotic options will be introduced, including:

- Digital Options (One Touches, No Touches, Double No Touches, European Digitals)
- Barrier Options (Knock-Out and Knock-In Options, Double-Barrier-Options, American- und European-Barrier-Options)
- Asians, Compound Options, Chooser Options, Fader Options

Aside from the payout profile and the structuring of option strategies, the participants will in particular deal with the question of which option types are suitable

as a hedging or optimisation instrument in which client or market situation, and the influence on prices of the special characteristics of exotic options.

The Greeks

The most important Greeks of FX options will be presented (Delta, Gamma, Vega, Vanna, Volga, Theta, Rho). Here, the insights on the effect of influencing factors on the option premium will be repeated, deepened and quantified.

While analysing the Delta of plain vanilla options, the participants will work on a

Delta hedge for a hypothetical market development.

Differences concerning the Greeks that arise in exotic options as compared to plain vanilla options will be identified, and the Greeks will be derived from structured option strategies from the sensitivities of the components.

Finally, the findings of the seminar will be used as a transition to the FX product seminar for the first structured hedge product (Knock-in Forward).