



# Peter Skerritt & Associates

## Derivatives & Financial Risk Specialists

### Fixed Income - Bonds and Swaps

Johannesburg, 23 – 25 November 2011

#### Overview

This is an intermediate level workshop providing a practical explanation of the instruments and mechanics of the South African bond and interest rate derivative markets.

Delegates should already be familiar with fundamental time value of money concepts, as well as the essential jargon of the fixed income markets. These are covered in the pre-course reading and online assessment.

#### Highlights

- The institutional features of fixed income markets
- Pricing vanilla and non-vanilla bonds
- Repurchase agreements and bond forwards
- Yield curve construction and use
- Pricing and hedging vanilla and non-vanilla swaps
- Hedging bond portfolios with swaps
- Creating asset swaps
- Currency and overnight index swaps
- Inflation-linked instruments

#### Workshop Supervisors

Peter Skerritt and George Van der Westhuizen.

Peter and George both have extensive practical experience of the local and international cash and derivative fixed income markets.

## **Learning Outcomes**

The supervisors will ensure that the following learning outcomes are facilitated:

- An understanding of the issues involved in the use of a benchmark curve as a pricing mechanism for the capital markets.
- An in-depth review of the calculations underpinning the prices of the benchmark constituents.
- An understanding of bond repurchase agreements and forward bond pricing.
- An awareness of the bootstrapping process used to generate a zero-coupon yield curve.
- A sound knowledge of the theory and practical limitations of no-arbitrage pricing in the capital markets.
- A sound knowledge of the theory and practices of the local interest rate derivative markets.
- An ability to price different interest rate swap structures and to compute cash flows for interest rate swaps.
- An ability to hedge bonds with swaps and vice versa.
- An ability to create and evaluate asset swaps.
- An understanding of the pricing and use of cross-currency basis swaps and overnight index swaps.
- An awareness of the risk measures used in the fixed income markets.
- An understanding of inflation-linked cash and derivative instruments.

## **Cost**

R 9 950.00 + VAT.

## Programme

### *Day 1*

08.30 Institutional features of fixed income markets  
09.15 Vanilla bonds  
10.00 Coffee  
10.30 Bond pricing  
11.30 Non-vanilla bonds  
12.30 Lunch  
13.30 Risk measures  
15.00 Coffee  
15.30 Repurchase agreements  
16.15 Bond forwards and futures  
17.00 Close

### *Day 2*

08.30 Forward-forwards and FRAs  
10.00 Coffee  
10.30 Interest rate futures  
11.30 Vanilla interest rate swaps  
12.30 Lunch  
13.30 Deriving a short-term yield curve  
15.00 Coffee  
15.30 Bootstrapping a zero-coupon curve  
17.00 Close

### *Day 3*

08.30 Vanilla swap pricing  
10.00 Coffee  
10.30 Hedging swaps with bonds  
11.30 Hedging bond portfolios using swaps  
12.30 Lunch  
13.30 Non-vanilla swaps  
14.15 Trading the curve  
15.00 Coffee  
15.30 Assignment  
16.30 Assignment feedback and prize-giving  
17.00 Close