

# Advanced Derivatives Trading

The purpose of this course is to provide each participant with the tools and knowledge necessary to be competitive and profit from the derivatives market. At the end of the course, each participant will be able to trade and break down complex strategies and define risk to enhance portfolio profits. Advanced Derivatives Trading is highly intense and runs over four days.



## **A brief schedule:**

### **Day 1:**

#### **Market actors**

Who are the principal actors in the derivatives markets (Market Makers, Proprietary Traders and Arbitrage Traders etc.)

#### **Black & Scholes – Theoretical Pricing**

This is the most important model for option pricing. What inputs are used? Which are the components and how do they affect the theoretical price of the option? What weaknesses can we identify?

#### **The basic positions**

We study the basic positions, “hockey sticks”, and their characteristics. We look at put/call-parity, relative pricing and one-option arbitrage. We calculate synthetic arbitrage cases to illustrate the correlation between the instruments.

#### **The Greeks**

Exposition of Delta, Gamma, Theta, Vega and Rho – The Greeks. Definitions and application to the basic position are explored.

#### **Spreads**

Spreads such as straddle, strangle, bull spread, bear spread, butterfly, condor, back spread, ratio spread and time spread are discussed and illustrated using graphics, suggesting application, comparing pros and cons, and defining risks (Greeks).

### **Day 2:**

#### **Early exercise**

We start out by identifying when to consider early exercise for both the put and the call option.

#### **Risk control**

The remainder of this day will focus on risk control, aiming to teach the participant to define and eliminate Vega-related risk, or risk in scenarios such as take-over, market crash or expiry. The basics of position break down are illustrated, and close attention is given to the delicacies of expiry due to “charm” and pin risk.



### **Day 3:**

Day 3 is principally aimed at making the participants aware of how the movement in the market causes the options to change appearance. Classical and actual cases are applied.

#### **Gamma scalping**

The third day starts with exercises in scalping gamma. The Gamma/Theta-ratio is discussed as well as how to profit from positive or negative Gamma.

#### **Trading Volatility**

We look at the Vega, and explore how to speculate on it. Change in the over-all Implied Volatility and changes in the market Skew are the main considerations. This third day will show the participants how the Trader applies the volatility input in various market scenarios. How can we profit from trading the skew? How do we identify and trade the skew in a trend market? What considerations must we make before an annual report in trading volatility? How do we profit from a Market Crash?

#### **Case study**

The 3rd day is concluded by the study and analysis of an actual major derivatives position, the object being to breakdown and define risk. This can include early exercise, pin risk and being "short net units". What is the ideal market for our position to yield a profit?

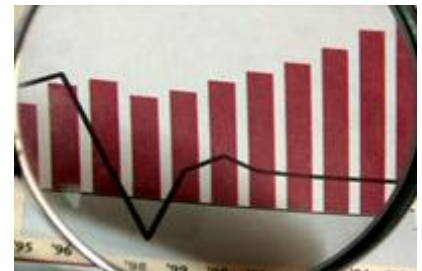
### **Day 4:**

Risk Management:

The first half of this last day will deal with Risk Management. Scenarios where companies have experienced huge losses due to insufficient routines, criminal actions, and negative leverage are analyzed. The objective is to explain the great importance of risk control and protocol, for the Trader and the company both. Can sufficient routines prevent criminal behavior?

#### **Examination:**

A written exam will commence after the lunch break. Three hours is given to complete the test where the participants are expected to apply the models and theories that have been covered during the past four days. A Diploma will be obtained by the participants that pass this final test.



#### **Instructor**

Michael Tiemann, with ten years of experience as a senior trader.

#### **Price**

USD 3 500, GBP 2 200, SEK 22 000 excl. VAT

**Book** on our website or call Michael **+46(0)73707 1557** or Peter **00467(0)4979801** for more information.

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