



HEDGING & TRADING IN FOREIGN EXCHANGE



Course Date: TBD



Course Length:

2 days
8:30 a.m. – 4:30 p.m. EST
each day (includes 60 min.
lunch break)



In-Person Onsite



Instructor/ Host

Richard Weissman
Nour Zekhmi

Questions?

For more information or to register,
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WHAT YOU WILL LEARN

Taught by Mr. Richard Weissman, a world-renowned author and foreign exchange trader, this two-day live course is filled with techniques, analysis and insights that only his 30 plus years of trading experience can bring. This course will provide you with various hedging and trading strategies used in the world of foreign exchange. We'll examine common instruments used to execute FX trades and mitigate exchange rate risk.

Topics covered include:

- The history of FX markets
- What moves foreign exchange rates
- The role of Central Banks in FX markets
- How interest rates impact FX and the importance of the carry trade
- How technical analysis helps in FX trades
- How to implement passive and active hedge strategies
- How to hedge "risk on" asset class exposures (e.g., equities, etc.,) with FX (USDJPY, CADJPY, AUDJPY)
- How to hedge out FX exposures in commodities (USD for Crude Oil, BRL for Sugar, GBP for Cocoa, etc.,)
- Pros & cons of common FX trading and hedging instruments (Spot, Outright Forwards, Non-Deliverable Forwards, FX Swaps, OTC Currency Options and Exchange-traded currencies)
- How to execute trades in 24-hour FX markets
- The role of money center banks; ECNs vs. dealing desks; Liquidity risk
- Options Pricing Models for OTC Currency Options: Black-Scholes, Cox-Ross-Rubenstein; Monte Carlo
- Common OTC Currency Option Strategies & when to use them (e.g., long call, long put, short call, short put, synthetic futures, vertical debit spreads, volatility spreads, etc.,).
- Using the greeks to understand the nuances of various OTC Currency Option strategies.

Course Syllabus – Day One

Morning Session

Session 1: History of Foreign Exchange Markets

- The Gold Standard
- Bretton Woods
- Who are the players today?
 - Central Banks
 - Money Center Banks
 - Hedge Funds
 - Corporate Hedgers
 - Institutional Investors
 - Brokers

Session 2: How Currency Markets work

- 24-hour OTC Interbank dealing desks & London
- How to handle low liquidity hours
- The Main Instruments:
 - Spot
 - Forwards
 - Swaps
 - Exchange-Traded
- Key FX Pairs:
 - The Majors: EUR, JPY, GBP, CHF
 - Commodity Currencies: AUD, CAD
 - Exotics: CNY, BRL, MXN, ZAR, SEK, etc.,
 - Crosses: EURJPY, EURGBP, EURCHF, AUDNZD, etc.,

Session 3: Real-time Spot FX Trading Simulation

- This real-time Spot FX trading simulation allows attendees to learn the basic mechanics of FX trading including order trades (limit, market, stops, etc.), the bid-ask spread, bids vs. offers, moving averages and Bollinger bands.

Session 4: Introduction to OTC Currency Options

- Why options are used by speculators and hedgers
- Calls
- Puts
- Writers
- Holders
- Inputs for determining option premiums

Afternoon Session

Session 1: OTC Currency Options – trading simulation

Using actual past price history, attendees will make currency option trading decisions. By the end of this simulation, you will understand:

- Calls vs. puts
- Being a writer vs. being a holder
- In-the-money, at-the-money and out-of-the-money
- How volatility impacts trading decisions in options

Session 2: What moves currency markets?

- Central Bank rate policies, decisions & interventions
- State of the global economy vs. individual currency's economy
- Geopolitical risk & flight to safety currencies: USD, JPY
- What are "pegs" and how do speculators trade them?
- Carry trade plays: AUDJPY, NZDJPY, etc.,
- Relationship between currencies & commodities
 - Gold as fiat currency
 - Crude Oil & USD; BRL & Sugar; GBP & Cocoa

Session 3: Common Technical Indicators in FX markets

- In this session we'll look at commonly used technical indicators in FX including:
 - Ichimoku Clouds
 - Combining oscillators with trend-following indicators
 - Timeframe analysis
 - Charting the history of implied volatility

This session includes a historical FX trading simulation that allows attendees to apply chart analysis in order to make trading decisions.

Session 4: Trader psychology and trading the news

- How FX traders trade the news
- How successful FX traders, "Trade Like a Casino"
- How a disciplined approach (including mechanical trading systems) dampens fear and greed
- How sentiment indicators can help FX traders gauge where markets are in the cycle of the trend and when they are temporarily overbought or oversold

Session 5: Fundamental FX Trading Simulation

In this session we'll examine how various events from a historical trading day impacted FX markets. What were the warning signs that preceded various FX moves? How did other markets clue us into moves in FX? Lessons learned?

Course Syllabus – Day Two

Morning Session

Session 1: Current state of Global Currency Markets

- What are the current drivers?
- What are the trends?
- Where are rates and the global macro economy headed from the Asian, North American and European perspectives?

Session 2: Understanding OTC Currency Options – Pricing Models

- Pros & cons of using Black-Scholes to determine an option's value
- Other Models: Cox-Ross-Rubenstein & Monte Carlo
- Modeling for volatility and volatility skews in currency options.

Session 3: Understanding OTC Currency Options – The greeks

This session explores the impact of option delta, gamma, vega, and theta as the underlying asset moves over time. How does each impact price exposure, time decay (options are a depreciating asset), and volatility? We'll examine option hedging techniques, such as delta hedging and delta neutral position management, from both speculative and commercial hedging viewpoints.

Session 4: Directional option spread strategies

This session provides a detailed examination of various directional spread strategies, such as synthetic future spreads, vertical debit spreads and backspreads. We will emphasize matching directional spread strategies with the currency hedger's directional and volatility forecasts. This session includes a trading simulation where attendees will trade synthetic future spreads and vertical debits spreads based on their directional and volatility views.

Afternoon Session

Session 1: Volatility options spread strategies

This session shows how volatility option spread strategies such as straddles and strangles help FX traders express a volatility opinion such as increasing or decreasing volatility (without a directional bias).

Session 2: Volatility option spread trading simulation

This trading simulation will give attendees the ability to analyze charts of historical and implied volatility in order to develop and express a "volatility" opinion with currency option spreads such as long straddles, long strangles, short straddles or short strangles.

Session 3: Development of an FX hedging strategy

In this session we'll examine the mechanics of implementing a foreign exchange hedge including:

- Pros and cons of implementing an active vs. passive hedging strategy
- When to hedge with options vs. linear hedging instruments (spot, forwards or swaps)
- Pros and cons of using an FCM, ECN or dealing desk.

Session 4: FX Risk Management Workshop

In our final session, we'll examine correlations and volatility and look at why they are key in the development of robust risk management solutions. Attendees will attempt to mitigate portfolio risk of various linear and non-linear (options) FX positions by analyzing historical and implied volatility of currency pairs, historical correlations of FX pairs along with technical price charts.

MEET YOUR INSTRUCTOR

Mr. Richard Weissman is one of the world's foremost authorities and thought leaders in the fields of derivatives, risk management and technical analysis. He is the author of two books:

Mechanical Trading Systems: Pairing Trader Psychology with Technical Analysis (Wiley, 2004) and *Trade Like a Casino: Find Your Edge, Manage Risk and Win Like the House* (Wiley, 2011) which was a finalist for the 2012 Technical Analyst Book of the Year Award.

Richard has more than 30 years of experience as a derivatives trader and has provided training and consultation services to traders and risk managers at investment banks, hedge funds, energy and agricultural companies for more than 20 years. He has helped train staff from virtually every major firm that uses derivatives including Morgan Stanley, Citicorp, Exxon-Mobil, Shell, Exelon, Cargill, CFTC, EIA, Platts, Intercontinental Exchange and CME Group. He has been the featured speaker at leading industry conferences throughout the world.



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