Equity Structured Products

Overview

The objective of this training course is for delegates to gain comprehensive exposure to and analysis of structured equity products. Participants will be introduced to a wide variety of equity structured products (simple access products, capital guaranteed notes, reverse convertibles, discount and bonus certificates, "best of" and "worst of" out-performance based structures) and will learn how to analyze such financial instruments, understand their risk and return characteristics.

Learning Outcome Statements

- Delta 1 equity derivatives; vanilla and exotic options
- Volatility and correlation products
- Investment rationale for structured products
- Understand mechanics, pricing and risk characteristics of options, warrants and exotics
- Principal protected and non-protected structured products
- Engineering and reverse engineering structured products
- Vanilla and exotic equity derivatives: pricing and risk characteristics
- Fund linked structured products
- Constant Proportion Portfolio Insurance (CPPI)

Key Contents

- Equity Derivatives - Synthetic Equity
    - Synthetic Equity
        - Futures and forwards
        - Equity swaps
        - Exchange traded funds
        - Underlying assets
        - Single stocks
        - Baskets / indices
    - Pricing and Risk Characteristics
        - Cash vs. futures fair value
        - Covered vs. uncovered structures
        - Dividend impact and risks
        - Impact of interest rates (issuer funding costs)
        - Dilution

        - Stock scarcity; lending risks
        - Risks: delta and basis risks
        - Key Drivers for Structured
    - Equity Products
        - Accounting treatment
        - Regulatory / tax arbitrage
        - Access
        - Funding
        - Leverage
        - Synthetic lending
        - Dividend capture strategies
        - Synthetic shorting
        - "Portable Alpha"
    - Equity Structured Products – Access Products
        - Equity linked notes
        - Discount certificates
        - Trackers and synthetics
- Equity Derivatives – Volatility
    - Equity Volatility
        - Definition of standard deviation, volatility & variance
        - Common applications of volatility
        - Realized volatility – measurement issues
        - GARCH, Risk metrics calculations
    - Implied Volatility
        - Volatility forecasts embedded in option prices
        - Volatility surfaces – "skews" and "smiles"
        - Term structure of volatility
        - Interpretation of implied volatility
        - Implied correlation within equity index volatility
    - Variance Swaps
        - Volatility forecasts embedded in option prices
        - Pricing and valuation
        - Impact of volatility skew on pricing
        - Convexity adjustments
        - Benefits and applications
    - Listed Volatility Products
    - Applications of Volatility Products
- Equity Derivatives – Options, Warrants and Exotics
    - Equity Options
    - Applications of Equity Options
    - Exotic Options
- Equity Linked Structured Products
    - Overview of Structured Products
    - Capital Guaranteed Equity Linked Notes
    - Equity Linked Coupon Notes
    - Volatility Products
    - Volatility and Correlation Products: Capital
- Fund Linked Structured Products
    - Fund Linked Structured Products