

2-DAYS ESSENTIALS OF METALS, METAL MARKETS & TRADING – LEVEL 1

Learning objectives

Acquiring insight and knowledge of:

- The fundamentals of metal trading
- The reasons for trading metals
- Metals trading platforms
- Metals exchanges, brokers and OTC markets
- Metals derivatives
- Hedging metal exposures with forwards & futures
- Clearing & settlement of metals contracts

Target group

This program is in general suitable for all people that support commodity trading-(related) organizations or traders in general; more in particular the course is suitable for:

- Traders
- Risk managers
- Back Office staff
- ICT staff
- Project managers
- Legal staff
- Compliance officers
- Accountants
- Controllers
- Finance & control staff
- Asset & portfolio managers
- Employees of exchanges
- Staff of transportation organisations
- Staff of clearing organizations

DAY 1 & 2

Session 1

Introduction to metals & metals trading

- Commodities
 - Energy
 - Softs
 - Metals
- Market participants
 - Producers
 - Consumers
 - Investors & Speculators
- Reasons for trading
 - Physical need
 - Sourcing & Sales
 - Financial desire
 - Hedging
 - Arbitrage
 - Speculation
 - Proprietary trading

Session 2

Metals trading & Settlement

- Concluding a metals transaction
- Spot markets versus Forward markets
- Settlement
 - Physical delivery
 - Cash settlement
 - Paper trading
 - Financial trading
 - Spot prices versus Forward prices
 - Volatility differentials
 - Spot transactions versus Forward transactions
 - Short term versus long term trading
 - Physical needs versus hedging
 - Spot trading versus forward \ trading
 - Spot deals
 - Forward contracts
 - Futures contracts
 - Metal futures
 - Contracts
 - Legal agreements

- Contract specifications
 - Trading unit
 - Price quotation
 - Trading months
 - Trading & position limits
 - Deliverable grades
 - Front month (nearby) futures
 - Differences between forwards and futures

Session 3 + 4

OTC versus Exchange trading

- OTC trading versus Exchange trading
- Counterparty risk
- OTC trading
 - Bilateral trading
 - Brokers
 - Execution only or trading for their own book
 - Services
 - Fees
 - Brokers as members of exchanges
 - Master Agreements
 - ISDA
 - Credit Support Annex (CSA)
 - Credit lines
- Exchange trading
 - Exchanges
 - Familiar names
 - LME
 - COMEX (CME Group)
 - NYMEX (CME Group)
 - Shanghai Metals Exchange
 - DGCX
 - Products
 - Futures
 - Options

- Clearing
 - Collateralization
 - (Daily) margining
 - Initial margin
 - Variation margin
- Differences between OTC and Exchange trading
 - Standardization versus tailoring
 - Mandatory clearing
 - Netting
 - Payment (cash transfer)
 - Trading platform
 - Fee structure
 - Transparency
 - Liquidity
 - Anonymity
 - Regulation

Session 5

Liquidity & Volatility

- Trading terminology
 - Long versus Short metals positions
 - Bullish versus Bearish metals markets
- Liquidity
 - Definition
 - Financing liquidity
 - Asset liquidity
 - Liquidity risk
 - Short term contract liquidity differs from long term contracts
- Price volatility
 - Measure for risk
 - Spot versus forward liquidity
 - Types of volatility
 - How is price volatility of metals being measured?
 - Data set
 - Origination
 - Time frame

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Session 6:

Hedging metals producers' exposures

- Hedging metal output exposure
 - Hedging a long metals position
 - Hedging a (natural) long metal position (p.e. copper)
 - Buying a metals (copper) forward or future
 - Match vs. mismatch
 - Buying a cap
 - Constructing a collar

Session 7:

Hedging metal consumers' exposures

- Hedging metal input exposure
 - Hedging a (natural) short metal position (p.e. iron ore for steel production)
 - Buying an iron ore forward or future
 - Match vs. mismatch
 - Buying a cap
 - Constructing a collar
 - Hedging a short refinery product position (p.e. nickel for galvanizing steel)
 - Buying a refinery product forward or future
 - Buying a cap
 - Constructing a collar

Session 8:

Refinery margins

- Spread
- Gross refinery margin
- Ratio(s)
- Individual product spreads