

This training course is designed to introduce delegates with the valuation of options in general and the factor volatility in particular.

Learning objectives

Acquiring insight and knowledge of:

- Derivatives in general
- Options trading
- Option positions
- Valuation of options
- Contract specifications of options
- Option style
- Early exercise
- Option strategies

Target group

Mercurious' Options courses are particularly suitable for compliant financial and commodity community, including:

- Traders
- Analysts
- Risk managers
- Executives
- Back office staff
- Asset managers
- Investment managers
- Portfolio managers
- Financial consultants

Training

The training course will provide delegates knowledge and skills with respect to valuation of options in general and the volatility component in particular. Delegates will get a real feel for the effects of options contracts by following their proceeds using real world examples.

The training sessions have a strong interactive character whereby the involvement of participants is of utmost importance. A clear overall picture of the working of options, their markets, relevant developments, risks and other relevant issues is provided during the training sessions by means of exercises, calculations and theory.

Content

This training course covers one full day. While dealing with each subject, attention is given to the various characteristics, aspects, opportunities and risks attached to that subject. We can tailor the course to match your specific requirements. For example, the course can be split into specific sections or used as a building block for an extended course.

Options – Volatility & Valuation

Pricing of options

- Premium
- Pricing
 - Price drivers
 - Market fundamentals
 - Contract fundamentals
- Valuation
- In, at or out-of-the-money
 - At-the-money
 - In-the-money
 - Out-of-the-money
- Decay of premium
- Put-call parity (*PCP*)
- Synthetics

Early exercise

- Exercise & assignment
- Early exercise & timing
- Styles
 - European options
 - American options
 - Asian options

Option pricing models

- Introduction
- Distribution of returns
 - Standard deviation
 - (Log)normal distribution
 - Pricing models
 - Black & Scholes
 - Binominal trees
 - Trinominal models & implied trees

Volatility

- Definition
- Kinds of volatility
 - Future volatility
 - Historical volatility
 - Implied volatility
- Volatility forecasting models
- Options trading is volatility trading
- Skew & leptokurtosis
- Product specific probability distributions
 - Commodities & energy products
 - Financial & equity products

