

This course is extremely practical. Participants play trading games, and have to solve many exercises & cases. A steep learning curve and an increase of both knowledge and skills will be the result.

Learning objectives

Acquiring insight and knowledge of:

- The working of processes in the oil industry
- Upstream, midstream, downstream
- Production & consumption
- Market participants & their roles
- The working of refineries & refinery processes
- The working of international oil markets
- Products traded in the oil markets
- The working and applications of those products
- The working of oil trading platforms (exchanges)
- Pricing, benchmarks & indices
- Risks connected to oil trading
- Correlation
- Skew & kurtosis in distribution of chances
- Usual trading techniques & methods
- Future perspective of the oil markets

Target group

This training course is particularly suitable for compliant financial and energy community including:

- Commodity Traders & Risk Managers
- Bankers
- Back office staff, ICT staff & Legal staff
- Oil executives in banking & corporate finance
- Oil credit & equity analysts
- Oil equity & commodity traders
- Investment & Portfolio managers
- Financial consultants to the oil sectors
- Employees of Finance & Control
- Journalists focused on the energy industry

Training

This course is designed to provide participants with an introduction to oil products, oil trading, market participants and fundamentals such as pricing. Additionally, a broad practical insight regarding risk management and trading strategies with derivatives is provided. The training sessions have a strong interactive character whereby the contribution of participants is of utmost importance. A picture of the working of oil markets, relevant developments, risks and other relevant issues are given during the training sessions by means of questions, theory and theses.

Content

This training course covers two full days. The course can, of course, be adapted to specific sections, and we can tailor the course to your specific requirements. While dealing with each subject, attention is given to the various characteristics, aspects, opportunities and risks attached to that subject.

2-DAY TRAINING COURSE: OIL TRADING

Program:

Session 1 - Introduction to the oil industry

- Sectors (Upstream, Midstream, Downstream)
- Features of crude oil (Sweet vs. sour, Light vs. Heavy)
- Global benchmarks (WTI, Brent (Dated Brent, BFOE), Dubai quality)
- Reserves & Technique (Peak-oil theory, Tar sands & oil shale)
- Transport
- Geo-politics
- Environmental issues

Session 2 - The refinery process

- Refining and refinery products
- Types of refineries
- The construction and location of refineries
- The quality of crude influences the relative output of derivatives
- The value of refinery products
- The competition with bio-fuels
- Crack spreads (5:3:2, 3:2:1, 2:1:1)

Session 3 - Oil pricing

- Benchmarks & indices
- Fundamental price drivers (Geographical spreading, Quality, Reserves, Currency of denomination, Production (capacity), Consumption, Transport & infrastructure, Weather, Seasonality, Geopolitics)

Session 4 - Oil trading

- Working of the oil markets
- Market participants
- The role of cartels (OPEC)
- Contract specifications (Trading unit, Price quotation, Trading months, Trading at Settlement (TAS), Alternative Delivery procedure (ADP), Exchange of Futures for Physicals (EFP), Trading & position limits, Physical vs. financial settlement, Deliverable grades)
- Structuring of contracts
- Physical delivery vs. cash settlement
- Trading (Bilateral transactions, Bunker trading (Rotterdam, Houston, Singapore, Fujairah))

Session 5 - OTC vs. Exchange trading

- OTC markets (Credit risk)
- Exchange trade (NYMEX, ICE, DME)
- Listed products (Futures, Options, Swaps, Crack spreads)
- Integration of OTC markets & exchanges (OTC give up facility)

Session 6 - Trading & Risk

- Markets / Products/ Trading (Hedging, Arbitrage, Speculation (proprietary trading))
- Management issues (The increasing importance of trading floors and dealing rooms, The increasing role of proprietary trading)

Session 7 - Risk Management

- Identification of risk types & kinds (Operational risk, Credit risk, Market risk)
- Measuring risk (Value at Risk)
- Controlling risk (Hedging)

Session 8 - Hedging tools & strategies

- Tools (Derivatives: Futures, Options, Swaps)
- Strategies
 - Natural counterparties
 - Long term vs. short term hedging
 - Frequent mismatches
 - Caps / Floors/ Collar
- Agreements & conditions
 - Alternative delivery Procedure (ADP)
 - Trading at Settlement (TAS)
 - Exchange for Physicals (EFP)
- Collateral & margin
- Clearing & settlement (cash or physical)

Session 9 - Volatility

- What is volatility? What does volatility imply?
- Historical volatility, future volatility & implied volatility
- Measuring volatility & Volatility as input for pricing options
- Skew & Kurtosis

Session 10 - Spread Trading

- Correlation & Cross margining
- Pairs & proxies
- Forward curves (Backwardation, Contango, Convenience yield)
- Curve trading & arbitrage (Spread trading, Quality spreads, Location spreads (basis trading))

Exercises

Practical exercises being used in this course help you to understand 'why' and 'how'. This assures that you will improve your skills, not only your knowledge. Exercises used in this course:

- Weather & Freight derivatives
- Calculate crack spreads & optimization of refineries
- Hedging tools & strategies
- Calculating the Value at Risk of an oil & gas portfolio

Trading Game

Participants of the course will play trading games. This objective of this is to make attendees familiar with the psychology, pressure and stress of trading (though in a fun way this time). Participants become aware of the trading systems traders use, or the players in the OTC market. Last but not least by this practical workshop you will be able to implement vocabulary and terminology with respect to trading.