

This training course is designed to expand delegates' knowledge of risk management with respect to weather.

Learning objectives

Acquiring insight and knowledge of:

- Weather influence on financial performance
- Weather events & catastrophes
- Precipitation, temperature, wind & sunshine
- The weather market
- Market participants and their role
- Insurance effect & insurance companies
- Weather stations to measure outcome
- Products traded in the weather markets
- The working and applications of those products
- Pricing, benchmarks & indices
- Risks connected to the weather markets
- Price volatility due to weather events
- Future perspective of the weather markets

Target group

Mercurious' Weather Derivatives training courses are particularly suitable for compliant financial and commodity community including:

- Commodity traders
- Energy executives
- Risk managers
- Credit & equity analysts
- Portfolio managers
- Financial consultants to the energy sectors
- Journalists focused on the energy industry

Training

The Weather Derivatives course is designed to provide participants with an introduction to weather products, trading, market participants and market fundamentals. Additionally, a broad practical insight regarding risk management and trading strategies with weather 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 weather markets, relevant developments, risks and other relevant issues are given during the training sessions by means of exercises, questions and theory.

Content

The Weather Derivatives 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: WEATHER DERIVATIVES

Program:

DAY 1

Session 1

Introduction to the weather market

- Impact of weather on economy
 - Company performance
 - Weather events
 - Risk management
- Development of the weather market
 - Market size
- Weather events
 - Temperature (heating, cooling, frost)
 - Precipitation (rain, snow)
 - Wind (hurricane index)
 - Catastrophes (one time events)
- Meteorological models
 - Seasonal forecasts
 - Reliability & uncertainties
 - Price prognoses
 - Using weather futures as weather forecasts

Session 2

Introduction to derivatives

- Derivatives
 - Futures
 - Swaps
 - Options
- Contract specifications
 - Underlying value
 - Trading unit
 - Contract size
 - Price quotation
 - Maturity
- Premiums & Margin
- Exchange trading vs. OTC market
 - Chicago Mercantile Exchange (CME)
 - OTC Market
- Clearing settlement
 - Cash settlement
 - Weather stations

DAY 2

Session 3

Weather futures: HDD & CDD

- Heating Degree Day (HDD)
 - Definition
 - Pricing
 - Settlement

Case:

Exercise with calculations

- Cooling Degree Day (CDD)
 - Definition
 - Pricing
 - Settlement

Session 4

Weather Options & Swaps

- Temperature options
 - CDD options
 - HDD options
- Weather contingent options
 - Dual-trigger weather options
- Cross-commodity options
 - Coal/weather derivative
- Weather swaps