MARC

CAPITAL MARKET

EQUITY DERIVATIVES

PROGRAMME DURATION	MODE OF DELIVERY	HRD CORP SCHEME	PROGRAMME FEE
03 HRS|35 MIN	ONLINE LEARNING Self-Paced	NIL	RM750.00

SECTIONS & DURATION AT A GLANCE

This table provides an overview of the sections covered and the duration of each topic:

SECTION NO	SECTION TITLE	DURATION
Section 1	Equity Derivatives – An Introduction	00 Hrs | 50 Min
Section 2	Equity Options & Warrants	00 Hrs | 45 Min
Section 3	Equity Index Futures & Options	01 Hrs | 00 Min
Section 4	Equity Swaps	01 Hrs | 00 Min
	CLICK Title for Section Details TOTAL DURATION	03 Hrs | 35 Min

- 30 Days access are given to participants to complete the entire programmes
- This is an Online Learning; participants are learning at their own paced

THE CONTENTS

SECTION 1

Equity Derivatives – An Introduction

Prerequisite Knowledge	Derivatives – Markets
Section Level	Intermediate
Section Duration	50 Minutes

Overview

An equity derivative is a derivative whose underlying instrument is a stock or stock index. Hence, the value of an equity derivative is a function of the value of the stock or index. The market for equity derivatives continues to expand with new product structures constantly appearing.

This tutorial introduces the most important equity derivatives, including stock options, stock index futures and options, warrants and convertibles, and structured equity derivatives.

Objectives

On completion of this section, you will be able to describe the structures and applications of: -

- Equity futures
- Equity options and equity index options
- Convertibles and warrants
- Contracts for difference
- Equity swaps
- Structured equity derivative products

The Outline

TOPIC 1 ◆ EQUITY DERIVATIVES – TYPES

- Market Overview
- Equity Futures
- Equity Options
- Equity Option Moneyness
- Equity Index Options
- Warrants
- Convertibles
- CFDs
- Equity Swap
- Structured Products
- Equity Linked Securities
- Volatility Indices

TOPIC 2 ◆◆ BENEFITS & RISKS OF EQUITY DERIVATIVES

- Hedging
- Income Variation & Enhancement
- Index Tracking & Passive Investment
- Scenario: Ever Safe Funds Seeks Higher Returns
- Leverage
- Cost Effectiveness & Efficiency
- Benefits for Issuers
- Risks of Equity Derivatives
- Risk Management

SECTION 2

Equity Options & Warrants

Prerequisite Knowledge	Equity Derivatives – An Introduction
Section Level	Intermediate
Section Duration	45 Minutes

Overview

Equity options are a derivative type that has seen phenomenal growth over the past decade or two, especially as fund managers combine them with underlying equities as part of their portfolio management.

From its humble beginnings in the 1980s, when the market developed out of the need for Japanese corporations with relatively poor credit ratings to raise cheap debt, the warrant market has continued to thrive up to the present day. It has changed beyond recognition and now represents an important source of funding for a variety of borrowers, in addition to being a highly lucrative investment market for many fund managers.

In this tutorial, you will learn about the terminology surrounding equity options and the different payoffs that make them so attractive. Further, you will be introduced to warrants and how they compare with equity options.

Objectives

On completion of this section, you will be able to: -

- Recognize the terminology surrounding equity options and warrants
- List the typical payoffs associated with these instruments
- List the similarities of warrants to equity options
- Recognize how warrants can be a source of capital for the company
- Recall how warrants are effectively geared instruments and the effect of gearing

The Outline

TOPIC 1 ◆ EQUITY OPTIONS

- Equity Options
- Equity Option: Definition
- Equity Option: Terminology
- Equity Option: Example
- Option Moneyness
- Equity Option Payoffs
- Option Profitability
- Option Profitability: Long Call
- Option Profitability: Short Call
- Option Profitability: Long Put
- Option Profitability: Short Put
- Exchange-Traded vs. Over-The-Counter Options
- Price Quotations
- Exotic Equity Options

TOPIC 2 ◆◆ WARRANTS

- Warrants
- Warrants Terminology
- Warrants vs. Options
- Warrants: Example
- Pricing Warrants
- Traditional Warrants
- Call Warrant Payoff
- Covered Warrants
- Vanilla & Index Warrants

SECTION 3

Equity Index Futures & Options

Prerequisite Knowledge	Equity Derivatives – An Introduction
Section Level	Intermediate
Section Duration	60 Minutes

Overview

Traders typically deal in multiple stock positions rather than a single position, which means they are required to manage portfolios and cope with various risks associated with these portfolios. Consequently, traders need to be aware of the various financial derivatives available to help them manage their portfolios.

This section looks at equity index futures and options, two of more popular financial derivatives used by traders. Finally, we look at how derivatives can be grouped together to dynamically hedge a portfolio's market exposure over time

Objectives

On completion of this section, you will be able to: -

- Define equity index futures and options
- Determine the intrinsic value of both index futures and options
- Identify how equity index futures and options are used in arbitrage

The Outline

TOPIC 1 ◆ INDEX EQUITY FUTURES

- Index Equity Futures
- What is an Equity Index Future?
- Equity Index Futures: Long Position
- Stock Index Futures: Short Position
- Equity Index Futures: Pricing
- Cost of Carry
- Fair Value
- Reasons for Mispricing
- Arbitrage
- Hedging with Index Futures
- Cash Equitization
- Benefits of Index Futures

TOPIC 2 ◆◆ EQUITY INDEX OPTIONS

- Equity Index Options
- Equity Index Options: Call & Put Options
- Buying an Index Call Option: Example
- Buying an Index Call Option: Breakeven Point
- Buying an Index Put Option: Example
- Buying an Index Put Option: Breakeven Point
- Combining Index Futures & Options
- Option Strategies: Covered Call (Buy-Write)
- Option Strategies: Capping the Downside
- Options: Hedging Strategies

SECTION 4

Equity Swaps

Prerequisite Knowledge	Equity Derivatives – An Introduction
Section Level	Intermediate
Section Duration	60 Minutes

Overview

An equity swap is a generic term for the repackaging of one payment stream, such as that from an interest-bearing security, into a payment stream that would be paid on an equity index. The equity swap adds value for investors because it allows the repackaging of existing payment streams into equity index payment streams without requiring them to liquidate their existing investment. The result is a synthetic security that presents the characteristics uniquely sought by the investor.

In this section, we will explain the structure of equity swaps, outline some of their uses and applications, and illustrate how they may be priced.

Objectives

On completion of this section, you will be able to: -

- Recognize an equity swap
- List the different features and uses of equity swaps
- Identify between the different types of equity swap
- Recall how to price an equity swap

The Outline

TOPIC 1 ◆ FUNDAMENTALS OF EQUITY SWAPS

- Fundamentals of Equity Swaps
- What is an Equity Swap?
- Structure of an Equity Swap
- Role of a Swap Dealer
- Features of an Equity Swap
- Equity Swaps: Users & Uses
- Advantages of Equity Swaps
- Variations in Equity Swaps
- Credit Risk of Equity Swaps
- Methods of Reducing Credit Risk

TOPIC 2 ◆◆ EQUITY INDEX SWAP PRICING & PAYMENTS

- Equity Index Swap Pricing & Payments
- Pricing an Equity Swap
- Swap Pricing in Practice
- Calculating Payments
- Calculating Payments: Constant & Variable Principal
- Constant Notional Principal
- Variable Notional Principal