

Introduction to Foreign Exchange Options, (One Day)

Foreign exchange options are widely used to hedge and trade risk in the FX market. This workshop introduces the basic instruments, their mechanics, risks and practical applications. The workshop contains case study material designed to explain the key aspects under discussion. Prior knowledge of FX options is not required.

The workshop will cover:

- An introduction to terminology, product mechanics, pricing & use
- Vanilla strategies
- Inputs to pricing & the "Greeks"
- Exotic FX options, what they are & how they are used

Training will be in a workshop format. This will include a mixture of presentation and case study material. The course is designed for up to ten staff.

Below is a summary of the workshop content. The content of each day has been placed in a logical sequence and addresses the key topics.

Morning

Introduction

- Spot
- Forwards
- FX swaps
- Forward hedging techniques

Option Terminology

- Call/put
- Pay off profiles
- ITM/OTM spot, forward
- Premium
- Exercise
- Expiry
- European style

Hedging with Vanilla Options

- Using calls & puts
- Advantages & disadvantages

Using Combinations of Vanilla Options

- "Low cost" & "zero cost" structures
- Risk reversals
- Participating forwards
- Seagulls
- Advantages & disadvantages

Option Pricing

- Intrinsic & time value
- Inputs to pricing
- Time
- Implied volatility
- Smiles & skews
- Strike
- Forward price

Afternoon

The Greeks

- Delta
- Gamma
- Vega
- Theta
- What they are & practical use

Exotic FX Options

- Premium reduction
- Hedging & trading use
- Practical applications

Non Barriers FX Options

- Average rate & average strike options
- Compound options
- Basket options
- Quanto options

Barrier Options FX Options

- Knock-outs
- Knock-ins

Binary Options

- One touch
- Contingent premium options

End of workshop & review

