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**Trader Training**

**13th – 17th September 2010**

**Programme, Agenda and Syllabus**

**Programme and Agenda**

**The Bootcamp Programme**

**Module 1: TBC 001** Inter-market Relationships and Market Analysis

**Module 2: TBC 002** Trading CashEquivalents: CFDs and Futures and options

**Module 3: TBC 003** Trading Bonds, FX and Money Market Products

**Module 4: TBC 004** Intra-DayMoney Management and Risk Management

**Module 5: TBC 005** Enhanced Technical Analysis

**Module 6: TBC 006** Cross-marketProprietary Trading Strategies

**Module 7: TBC 007** Special Situations and Enhanced Spread Trading

**The Agenda**

**Day 1**

9.00 am Introduction and morning meeting

9.30 am TBC 001   Inter-market Relationships and Market Analysis

10.45 am Break

11.00am TBC 001   Inter-market Relationships and Market Analysis

12.30 pm Lunch

1.30 pm TBC 002 Trading CashEquivalents: Spreadbets, CFDs and Futures

3.00 pm Break

3.15 pm TBC 002 Trading CashEquivalents: Spreadbets, CFDs and Futures

5.00 pm Close

**Day 2**

9.00am Morning meeting

9.30am TBC 003  Trading Bonds, FX and Money Market Products

10.45am Break

11.00am TBC 003  Trading Bonds, FX and Money Market Products

12.30pm Lunch

1.30pm TBC 003  Trading Bonds, FX and Money Market Products

3.00pm Break

3.15pm TBC 004 Intra-Day Money Management and Risk Management Dollar

5.00pm Close

**Day 3**

9.00 am Morning meeting

9.30 am TBC 004 Intra-Day Money Management and Risk Management

10.45 am Break

11.00am TBC 004 Intra-Day Money Management and Risk Management

12.30 pm Lunch

1.30 pm Monitored Trading Session

3.00 pm Break

3.15 pm TBC 005 Enhanced Technical Analysis

5.00 pm Close

**Day 4**

9.00 am Morning meeting

9.30 am TBC 005 Enhanced Technical Analysis

10.45 am Break

11.00am Monitored Trading Session

12.30 pm Lunch

1.30 pm TBC 006 Cross-market Proprietary Trading Strategies

3.00 pm Break

3.15 pm Monitored Trading Session

5.00 pm Close

**Day 5**

9.00 am Morning meeting

9.30 am TBC 007 Special Situations and Enhanced Spread Trading

10.45 am Break

11.00am Monitored Trading Session

12.30 pm Lunch

1.30 pm TBC 007 Special Situations and Enhanced Spread Trading

3.00 pm Break

3.15 pm Monitored Trading Session

5.00 pm Close

**Syllabus Information**

**Module TBC 001: Inter-market Relationships and Market Analysis**

*Module profile***:** “Introductory to Intermediate”

The theme of Module 1 is the interrelatedness of markets. From an initial discussion of business cycles and supply/demand curves, we look in depth at how the financial markets work from a trading perspective and how the many different asset classes interweave. We describe the various market participants, their trading objectives and how they seek inter-market trading opportunities. We cover the role of interest rates, credit, supply and demand cycles and the pivotal role of the US Dollar as the global reserve currency. We describe the reasons behind the flight from risky assets to less risky assets and vice versa and we link asset class price movements to volatility, trends, breakouts and market momentum.

**Our objective is:**

* To describe how financial markets work, how the different asset classes are priced and how trading opportunities present themselves in the linked price movements of these classes
* To explain the intricacies of business and supply and demand cycles and how they influence the price movement of all the major asset classes and trading products
* To describe the interrelationships within and between energy markets, equities, currencies, bonds and commodities.
* To provide an analysis of the ways that electronic high-frequency trading opens up opportunity for traders to trade a variety of interlinked trading instruments

**Module Topics**

* **Part1**  **The Mechanics of Global Financial markets**
	+ Global markets trading mechanics
		- How centralized and OTC marketplaces process order flow
	+ The influence of global interest rates, business cycles and the value chain
	+ The mechanics of supply and demand cycles
	+ Practical market analysis of product interrelatedness
	+ The monthly economic calendar and important statistical announcements
* **Part 2**  **The interrelationships between major asset classes, their trading instruments and related product types**
	+ The links between currencies, bonds, equities and commodities
	+ Money supply, credit and global interest rates
		- The US$ and inflation
		- Gold, the US$ and Oil
		- The ICE Brent/WTI Crude Arbitrage
	+ Commodity prices and the relationship to global demand
* **Part 3 Special Study: Energy Inter-market Relationships: Crude Oil(Brent, WTI, Urals, CPC), and Gas Oil (Crack Spread, the WTI/Brent arbitrage**
	+ How each element of the energy markets influences the others
	+ The role of the interest rates, the US Dollar and other global currencies in the price movement of energy products
	+ Energy market relationship to metals and industrial products markets
	+ Influence of CPI/PPI on energy markets

**Module TBC 002: Trading Cash Equivalents: CFDs, Futures and Options**

*Module profile***:** “Introductory to Intermediate”

In Module 2 we concentrate on equity and oil markets. Traders are being offered a greater choice of trading activity including more complex strategy trading opportunities, multi-product arbitrage, market making and cross-border trading. In addition, exchanges and front-end trading system providers are offering enhanced functionality for the trader to use. Module 2 describes how traders can make the most of these opportunities using cash market products and their equivalents, the various derivative trading instruments including spreadbets, CFDs and futures and options. The Module looks at practical examples of how to use spreads, arbitrage with synthetic short/long versus cash (Box), volatility trades using options straddles/strangles and futures

Our objective is to:

* Provide detailed analysis the ways that electronic trading opens up opportunity for the traders to trade a variety of instruments including equities, derivatives, FX and other commodities.
* Describe each of the derivative product types and their price/risk behaviour
* Describe why a trader would want to trade futures rather than cash market products
* Explain initial and variation margin and how the margin account works

**Module Topics**

* **Part 1 Cash markets versus derivatives**
	+ How futures are priced versus cash markets
		- Fair value, Basis convergence, Cost of carry model
	+ How futures and other cash equivalents provide gearing/leverage opportunities
	+ The pricing conventions for quoting futures and the special case of interest rate futures
* **Part 2 Trading futures and options on futures**
	+ Understanding the risks implicit in trading derivatives
	+ Directional trades and when they are placed
	+ The dealing spread, scalping and market making
	+ Efficient order and trade management
		- Legging into spreads and combinations
		- Pyramiding winners and cutting losers
* **Part 3 Limit orders, Stops and Market if Touched orders**
	+ How to pick the order type for to match the market conditions
	+ Trading Trends, breakouts and fast markets
	+ Range trading and when to spot a change in market conditions
	+ Influence of inflation CPI/PPI on energy markets

**Module TBC 003: Trading Bonds, FX and Money Market Products**

*Module profile***:** “Intermediate”

Bond, FX and Money markets have become increasingly complex and more broadly traded as a variety of product types with associated trading instruments have emerged that enable a range of traders and investors to trade them. Again we look at cash versus derivatives, concentrating on Bond futures, FX and CFDs. This module breaks down each traded instrument and describes the trading strategies behind them. Course attendees are encouraged to create their own interpretations of the strategies we cover, to trade using professional trading software and to experiment with different order placement techniques.

Our objective is to:

* To explain how the Bond, FX and Money markets work and what instruments are available to trade
* To look at each instrument individually, how each is valued, traded and risk managed.
* To describe the different trading strategies that can be used

**Module Topics**

* **Part 1 How do Bond, FX and Money markets work?**
	+ Describe the various interest rates: Discount, Fed Funds, Base rate
	+ The importance of Libor, Euribor and overnight borrowing rates
	+ Describe the range of bond market products
		- Long Bond, 10 Year Bonds, 2 year notes and T-Bills
	+ Bond coupons, the yield curve, duration, and compounding
		- Fair value, Basis convergence, Cost of carry model
	+ The pricing conventions for quoting futures and the special case of interest rate futures
* **Part 2 Interest Rate Futures**
	+ How are interest rate futures priced?
	+ How are they traded along the yield curve?
	+ What is the impact of a cut or increase in interest rates?
* **Part 3 Practical Trading strategies and techniques**
	+ Loading orders, placing orders and monitoring trades
	+ Cross product order entry techniques
	+ Spreads and combinations
	+ Diming, fast order entry and Scalping
	+ Market timing strategies
	+ Loss mitigation and recovery

**Module TBC 004: Intra-Day Money Management and Risk Management**

*Module profile***:** “Intermediate to Advanced”

Managing position and execution risk is a vital part of trading and this Module deals directly with these issues. In addition, the Module describes pre-trade risk, the correct weighting of trade sizes, managing trading capital and safeguarding the bottom line. Techniques are described that adopt a no-nonsense approach to risk managing open positions in difficult market conditions, and an opportunistic approach to favourable market conditions.

Our objective is to:

* Provide sensible and workable methods for managing several different categories of risk including pre-trade, post trade and position risk
* Show how market implied volatility is an important measure in risk management and how it is calculated
* Describe money management requirements and order weightings when trading popular derivatives and cash market products
* Demonstrate the concept of probability, standard deviation, normal distribution and tail risk
* To provide practical examples of different trading conditions and useful methods for determining a change in those conditions and hence a change in risk
* To describe the format of position keeping, trade book and risk management software

**Course Topics**

* **Part 1 What are the risks facing traders and how are they managed?**
	+ Present the concept of normal distribution and demonstrate the way in which Value at Risk (VaR) is calculated
	+ Describe, and give case study examples, of market crash scenarios when third standard deviation events occur
	+ Describe position risk, pre-trade risk and the influence of market volatility in changing market conditions
	+ Show how related markets can have a cascade effect when prices fall known as *contagion*
	+ Demonstrate the correct use of stops, stop loss limits, limits to but or sell
	+ Hedging
* **Part 2 Money management methods**
	+ Describe how traders safeguard their trading capital and the benefits and drawbacks of using leverage
	+ Show how traders can allocate too much capital to single open positions and the risky result of having to trade out of those positions in low volume markets and at short notice
* **Part 3 Practical use of position keeping, risk management and profit and loss windows**
	+ Monitoring and dealing with intraday risk
	+ Managing and manipulating the order book
	+ Explain how P& L can be misleading if positions are still open
	+ Simple and aggressive Hedging techniques

**Module TBC 005: Enhanced Technical Analysis**

*Module profile***:** “Intermediate to Advanced”

The global markets are interconnected in complex ways and many different asset classes form unexpected correlations and partnerships. This can be seen and analyzed directly through the use of technical analysis. Technical Analysis (TA) programs have been developed into comprehensive TA software packages that can be too cluttered and difficult to navigate. Module 5 gets into the methods and approaches that work, concentrating on TA techniques that are easily understood and workable. Attendees will use practical software packages that give them real-world experience of the TA methods.

Our objective is to:

* To clear away the mystery and complexity surrounding TA and to provide working examples and methods for a common sense approach to the task
* Outline the behavioral trading influences on global markets: booms, busts and extreme market conditions
* Show how pre-trade analytics can be used to assist trading decisions
* Detail the technical analysis options available to traders and which types of analysis work well for commodity, equity and FX markets

**Course Topics**

* **Part 1 Technical Analysis for global markets**
	+ Support and resistance levels
	+ Momentum and volume analysis
	+ Price action clusters and concentration of trading activity
	+ Options volatility trading opportunities
	+ Fibonacci retracements, moving averages and relative strength analysis
	+ Bollinger bands, mean reversion and standard deviation
* **Part 2 Pre-trade analysis and the growing use of automated smart tools**
	+ The science of pre-trade analytics
	+ Trade triggers and smart order entry tools
	+ Cross-border market trading tools and techniques
* **Part 3 Measuring the human element of trading: Practical Trading Psychology**
	+ Extreme market conditions, investor herd instinct, booms and busts
	+ Establishing trading biases and the seven deadly sins of trading
	+ How to recognize and overcome personal behavioural trading biases using *Trader Psychometrics*

**Module TBC 006: Cross-Market Proprietary Trading Strategies**

*Module profile***:** “Intermediate to Advanced”

Cross-market trading strategies form a large part of the trading work of many professional traders. The close movement of related asset classes and the ability to click-trade them on a single order entry screen means that opportunities to take advantage of abrupt price changes and moving differentials is realtime. As a basis for these trades it is often worthwhile considering the interrelationships between products linked to the US dollar and how currency movements can have influence on them. Module 6 uses a common sense approach to trading products that form links across markets including gold, oil, the US$, equity markets and the US T Bond. Trading instruments from the equity markets, commodity markets and money markets can be combined into profitable trading strategies that can now be traded simultaneously across exchange platforms.

Our objective is to:

* To give cross-market trading , charting and hedging examples and to show how these strategies can be traded, hedged and risk managed
* To describe combination trades that also use options

**Course Topics**

* **Part 1 US Dollar Index, EURO Index and Currency Pairs**
	+ Describe the pivotal position of the US Dollar in global markets and the types of cross-market trading strategies that can be used
	+ Detail how the USDX forms an integral part of US Dollar risk management and hedging
	+ Provide examples of how currency pairs can be traded for speculation and how fund managers use them for portfolio balancing and currency risk exposure
* **Part 2 Stock Indices: The S&P 500, FTSE 100, DAX and EuroStoxx**
	+ Describe how each Index is calculated, betas, and constituent weightings in the index
	+ Detail how the Index futures replicate the price movements in the underlying constituents
	+ Describe range of statistical arbitrage and basket trading opportunities
	+ Describe the importance of market volatility measures and hedging/risk management
	+ Provide examples of practical applications of the index futures to actively managed portfolios
* **Part 3 Automated trading tools and algorithms**
	+ Explain the types of automated execution algorithms that traders will come across and how to identify them in the markets
	+ Describe Bespoke equity trading algorithms and how they work

**Module TBC 007: Special Situations and Enhanced Spread Trading**

*Module profile***:** “Intermediate to Advanced”

Module 7 focuses on special situations that occur in the markets and details spread and pairs trading opportunities. Special situations offer above average trading opportunities and should be included in each trader’s toolbox of strategies. The situations include: trading opening and closing auctions on LSE, equity dividend trading opportunities, quarterly equity Index reports and how to trade new entrants to the FTSE 100 Index, trading specific statistical announcements from the US Federal Reserve, the UK bank of England and various US and European governmental organizations. We look at how these special situations enhance profit opportunities, how to recognize them and how to trade them.

Our objective is to:

* Identify a range of special trading opportunities in equity, FX and futures markets
* To explain how to trade these opportunities, how to recognize them ad the risk management requirements
* To describe spread trading techniques that capitalize on special situations

**Module Topics**

* **Part1** **What constitutes a special situation and how is it traded?**
	+ Equity market trading opportunities
		- Dividend announcements
		- Index reviews
		- Takeover and bid speculation
	+ FX trading opportunities during economic announcements
		- Non-Farm Payroll and the EUR/USD
		- CPI and PPI figures
		- Michigan index and Philadelphia Fed surveys
* **Part 2**  **Enhanced** **Spread trading opportunities**
	+ Why spreads and pairs trades offer good opportunities to profit from relative value
	+ DOE Oil Inventories and WTI-Brent Crude oil spread arbitrage
	+ Gold/USD/Crude spreads
	+ Beta equivalent trading in FTSE 100 index constituents and FTSE futures
	+ Basket trading/mini-index and sector trading
* **Part 3 Special Case Study: BHP Billiton versus RTZ**
	+ Ratio spread trading
	+ Cash with equity bid