Foreign Exchange Trading and Risk Management

(Course Instructor: Prof. (Dr.) S. Kevin)

Program description

Understanding the fundamentals of foreign exchange has now become necessary for managing any large scale business enterprise as most of such enterprises engage in some form of international transactions. Foreign exchange management is complex as well as risky. Fluctuations in exchange rates of currencies create an uncertain environment. Foreign exchange dealers are exposed to risk on account of the uncertainty regarding future movements in exchange rates. The risk has to be hedged through the use of appropriate risk management techniques.

This program is designed to familiarise the participants with the intricacies of foreign exchange management. The program covers two important areas, namely, foreign exchange trading and management of foreign exchange risk. Foreign currency dealings may be carried out in different markets such as the spot market, the forward market and the derivatives markets dealing in currency futures and options. Currency swaps are useful in transforming assets or liabilities in one currency into assets or liabilities in any other desired currency. Exchange rate risk may by managed by using different hedging techniques such as contractual hedges and natural hedges.

Any person interested in international finance, especially those engaged in international business transactions, would find this program useful in understanding the complex area of foreign exchange management.

Objectives

On completion of the program, the participants should be able to understand:

- The meaning of foreign exchange and exchange rate quotations
- The factors influencing fluctuations in exchange rates
- Different types of markets for foreign exchange trading
- The four types of currency derivatives (forwards, futures, options and swaps)
- Types of foreign exchange risk
- Techniques of managing different types of risk
- The constituents of Balance of Payments statement of a country and the significance of BOP deficit/ surplus

Training methodology

Training will be provided through interactive sessions guided by the instructor.
It will include the following components:

- Course materials
- Lectures
- Group Discussions
- Group Exercises
- Individual Assignments

Target group of participants

- Business men engaged in export and import trade and transnational services
- Managers/ personnel dealing with export and import trade and transnational services
- Personnel working in banks and other financial institutions
- Investors interested in currency trading
- Persons interested in international finance

Program outline

1. Introduction

2. Foreign exchange rate mechanism

a. Exchange rate quotations
b. Currency appreciation/ depreciation

3. Factors influencing exchange rates

a. Inflation rates
b. Interest rates
c. Other fundamental factors

4. Foreign exchange markets

a. Spot market
b. Forward market
c. Derivatives market

5. Currency forwards

a. Meaning
b. Forward dealings by exporters and importers

6. Currency futures

a. Meaning
b. Operation of futures market
c. Hedging with currency futures
d. Speculation with currency futures

7. Currency options

a. Meaning
b. Call option and Put option

c. Uses of options

8. Currency swaps

a. Asset liability management tool
b. Cost reduction tool

9. Risk management techniques

a. Types of risk
b. Techniques of risk management
c. Contractual hedges and Natural hedges

10. Balance of payments

a. Current account and Capital account
b. Overall balance
c. Foreign exchange reserves

11. Groups exercises and group discussions/ presentations

12. Summary and course evaluation

For any further information please contact us at:

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