WBS

Latest Developments: Credit Derivatives Pricing & Modelling, CDOs & CPPI

London: 3rd – 5th December 2007

This workshop provides THREE booking options

Register to ANY ONE day TWO days or all THREE days of the workshop

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Topics:

Day 1: Latest Developments: Collateralized Debt Obligations

- **Evolution of CDO correlation models:**
- **Gaussian copula; base correlations; extensions**
- **Modelling correlations by dynamic conditioning**
- **Pricing concentration bespoke tranches**
- **Temporal aggregation of realized correlation**
- **Optimal dynamic hedging in a dynamic spread-default environment**
- **Modelling portfolio credit derivatives - trading applications**
- **Credit option strategies - trading strategies used by market participants and structured products built around them**
- **CDOs in a portfolio context - how to integrate CDOs into the overall asset allocation process**

Presenters:

Claudio Albanese: Bloomberg LP, New York & Imperial College London
Norddine Bennani: Head of Credit Derivatives Quantitative Research, Barclays Capital
Vivek Kapoor: Fixed Income Hybrids, Citigroup
Richard Martin: Director, Head of Quantitative Credit Strategy, Credit Suisse

Day 2: Pricing Issues in Structured Credit

- **Structural models and asset correlation**
- **Pricing of synthetic CDO tranches**
- **Implementing Copula models, analytical and Monte Carlo pricing**
- **Pricing bespoke portfolios**
- **Copula Skew Models**
- **CPDOs**
- **Models forGap Risk**
- **Advanced Models and Exotic CDOs**

Presenter:

Jon Gregory: Global Head of Credit Derivatives Research, Barclays Capital

Day 3: Credit CPPI

- **The CPPI structure in the equity world**
- **The CPPI in the credit universe**
- **Characteristics of a CPPI strategy**
- **Designing a CPPI correlation trade**
- **Fully-managed Credit CPPIs**
- **Credit spread / Jump-to-default / Credit correlation**
- **Practical Calibration of the Models**

Presenters:

Jerome Brun: Head of Quantitative Credit Research, Société Générale
Julien Turc: Head of Quantitative Credit Strategy, Société Générale

Day 1: Latest Developments: Collateralized Debt Obligations

09:00 – 10:15 / Evolution of CDO Modelling:
1 hour 15 minutes / Richard Martin, Credit Suisse

What are models for?

- **Evolution of CDO correlation models:**
- **Gaussian copula; base correlations; extensions**
- **Pool-based models - not necessarily an improvement**

Trading and Strategy

- **What drives the market**
- **Risks associated with correlation positions e.g. the simple carry trade**
- **Ways of identifying good trades**
- **Deltas**
- **Recent case study**

Where do the models need to go?

- **Tranche options**

10:15 – 10:30 Break

10:30 – 12:30 / Pricing and Hedging of Synthetic Bespoke CDOs:
2 hours / Claudio Albanese, Bloomberg LP, New York & / Imperial College London

- **Dynamic credit models**
- **Stochastic drift versus stochastic volatility**
- **Modelling correlations by dynamic conditioning**
- **Sector and currency specificities of aspect ratios for single name CDS curves**
- **Assessing the market price of credit risk**
- **Cailbrating to the index basis and index tranche spreads**
- **Pricing concentration bespoke tranches**
- **Assessing spread, correlation and recovery sensitivities**
- **Forward starting tranches and tranche options**

12:30 – 13:45 Lunch

13:45 – 15:15 / Synthetic CDO Risk-Return Dynamics:
1 hour 30 minutes / Vivek Kapoor, Citigroup

Vivek will demonstrate how the standard model interacts with reality and how that influences the view of someone charged with a P&L target, and a finite risk appetite. This includes new modelling approaches taken to elucidate risk-return characteristics and a direct hedging-attempted replication view of the CDO opportunity set.

Background

- **Sample trades**
- **Credit-correlation risk sensitivities**
- **Carry versus risk**

CDX Case Study

- **Spread dispersion**
- **Temporal aggregation of realized correlation**
- **Delta-hedger's fantasy and nightmare**
- **Evolution of carry and default risk**

Direct Hedging-Replication Analysis

- **What about replication?**
- **Variance and expected shortfall minimization**
- **Optimal static hedging of defaults**
- **Carry versus wealth change distribution**
- **Optimal hedge implied correlation skew**
- **Optimal dynamic hedging in a dynamic spread-default environment**

15:15 – 15:30 Break

15:30 – 17:00 / Modelling Portfolio Credit Derivatives -
1 hour 30 minutes / From Term Structure to Options:
/ Norddine Bennani, Barclays Capital

- **Term structure of tranche expected loss**
- **Application to relative value trades and equity risk trading**
- **Credit CPPI and CPDOs - Understanding the specificities of the risk profiles and their dynamics**
- **Dynamic Portfolio Modelling: The Forward Loss Approach**
- **From correlation modelling to option pricing in a consistent framework**

Day 2: Pricing Issues in Structured Credit:
Jon Gregory, Barclays Capital

09:00 – 10:30 / Modelling Credit Correlation

- **Default correlation**
- **TheGaussian copula model**
- **Alternative copula approaches**
- **Pricing of syntheticCDO tranches**
- **Implementing copula models, analytical and Monte Carlo pricing**

10:30 – 10:45 Break

10:45 – 12:30 / The Correlation Skew

- **Base correlation**
- **Skew in the strike dimension**
- **Skew in the maturity dimension**
- **Pricing bespoke portfolios**
- **Skew models**

12:30 – 13:30 Lunch

13:30 – 15:00 / Other Leveraged Credit Products

- **CPPI structures**
- **CPDO**
- **Leveraged super senior tranches**
- **Models for gap risk**

15:00 – 15:15 Afternoon Break

15:15 – 17:00 / Advanced Models and Exotic CDOs

- **Barbell and long/short portfolios**
- **Forward starting CDOs and tranche options**
- **Loss surface approaches**
- **The implied copula approach**
- **Dynamic models**

Day 3: Credit CPPI

09:00 – 12:30 / Assessing Risks and Managing a CPPI: 3 hours 15 minutes / Julien Turc, Société Générale

The CPPI Structure in the Equity World

- **Description of an equity CPPI**
- **Impact of the gearing factor**
- **Funding limits and negative impact of volatility**

The CPPI in the Credit Universe

- **From the constant gearing factor to the Value-at-Risk**
- **Impact of default and carry**
- **Mean-reversion in a CPPI**

A Few CPPI Strategies

- **Long stock vs. short protection**
- **Characteristics of a CPPI strategy**

Credit Focus

- **Trading CDS curves**
- **Designing a CPPI correlation trade**

10:30 – 10:45 Break

12:30 – 13:45 Lunch

13:45 – 17:00 / VaR of a Structured Credit Portfolio:
3 hours / A Flexible Tool to Manage Credit CPPI or / Counterparty Risk: Jerome Brun, Société Générale

The Need for a Risk Measure

- **Fully-managed Credit CPPIs**
- **VaR and Conditional VaR**

The Risks Involved

- **Credit spread / Jump-to-default / Credit correlation**
- **Why a model for these risks ?**
- **What model for these risks ?**

Pratical Calibration of the Models

- **Available data**
- **Monte-Carlo Vs. semi-analytical**
- **Sum of VaRs Vs. VaR of sum**

Examples on Real-Life Strategies

- **Orders of magnitude**
- **Netting**
- **Stability over time**

Other Applications

- **Counterparty exposure**
- **Towards efficient prime brokerage**

15 :15 – 15 :30 Break

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