Interest Rates after the Credit Crunch: Markets and Models Evolution by Marco Bianchetti and Massimo Morini

Frankfurt: 10th & 11th February 2011

This workshop provides TWO booking options

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Early Bird Discount: 10% Before 31st December 2010

Day 1: Interest Rates and Term Structure Building after the Credit Crunch

Presenters:

Marco Bianchetti: Risk Management – Market Risk – Pricing & Financial Modelling, Intesa SanPaolo Bank

Massimo Morini: Head of Credit Models, Banca IMI

Pre-crisis Interest Rate Market and Models

- **Libor as a risk free rate.**
- **The classic fundamental products: Deposits, FRAs & Futures, Swaps & Basis Swaps.**
- **Pricing interest rate products in the classic risk-free model (no default and liquidity costs).**
- **Pre-crisis yield curve and volatility cube bootstrappings.**

Post-crisis Interest Rate Market

- **How the market changed: the gap between Libor, Repo and Overnight rates. Libor as a risky rate. Overnight Indexed Swaps and Repo markets.**
- **Collateral agreements and collateralized derivatives under CSA.**
- **How the market changed: the explosion of basis spreads and the loss of the spot-forward relation.**

Post-crisis Interest Rate Term Structure Building

- **Including the cost of funding in discounting: construction of an OIS discounting yield curve.**
- **Including basis spreads in forwarding: construction of multiple forwarding yield curves.**
- **Multi-curve pricing is analogous to multi-currency pricing in a FX context. Convexity adjustment and quanto adjustment.**
- **Multi-curve SABR and volatility cube construction**

Multiple Curve & Volatility Lab

- **Practical implementation of the multiple yield curve and volatility cube bootstrappings after the crisis.**

Day schedule:	**09:00 – 17:30**
Break:	**10:30 – 10:45**
Lunch:	**12:30 – 13:30**
Break:	**15:15 – 15:30**

Day 2: Interest Rate Modelling after the Credit Crunch

A Structural Explanation of the Post-crisis Market and the Basis Spreads

- **Cost of Funding: disentangling CVA, DVA and LVA (Credit, Debt and Liquidity Value Adjustments).**
- **An interest rate market with default risk. Convexity adjustments and FX analogy in terms of credit volatility.**
- **An interest rate market with volatile credit risk. A structural model explaining the new market patterns with the credit and liquidity risk option hidden in Libor.**

Updating the Interest Rate Models to the Multicurve Market

- **Extending simple short-rate models: a shift in Hull & White to deal with multicurve interest rate market.**
- **Extending the BGM Libor Market Model and SABR. The M-BGM Model for Swap and OIS rates and the extension to Basis Spreads.**
- **The pricing of volatility and correlation interest rate derivatives: Constant Maturity Swaps, CMS Caps/Floors, CMS Spread Options, exotics.**

Hedging and Risk Management

- **Risk Management of multiple sources of interest rate, credit and liquidity risk.**
- **Multi-hedging in a multi-curve environment. The discounting and forwarding deltas and the cross-gamma. The sensitivity to correlation.**
- **Moving a financial institution towards multi-curve pricing and OIS discounting.**
- **Open issues and discussion.**

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Workshop Fee:

- ☐ Any One day: €1199 + DE VAT
- ☐ Both days: €2198 + DE VAT (Including €200 Discount)
- ☐ Early Bird Discount: 10% Before 31st December 2010
- ☐ 70% Academic Discount (FULL-TIME students only.)

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