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

Register to ANY TWO days of the workshop and receive £200 discount

Register to ALL THREE workshop days and receive £300 discount
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 for Gap 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
• Calibrating 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
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

• 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
• The Gaussian copula model
• Alternative copula approaches
• Pricing of synthetic CDO 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
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
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?

Practical 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
## Workshop Fees:

- **Any One day:** £999 + UK VAT
- **Any Two days:** £1798 + UK VAT (Including £200 Discount)
- **All Three days:** £2697 + UK VAT (Including £300 Discount)

30% discount Academic delegates

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