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Argus Media Workshop – Crude oil trading, hedging and price risk management



Course date To be confirmed (4 days)

Course Fees **USD 3,688**

Location Singapore

Overview This workshop is designed to give delegates an introduction to crude trading in a safe environment and to guide delegates through the complicated concept of hedging, allowing them to analyse and mitigate risk in the crude market.

Includes specific and practical case studies

Participants will be guided through a combination of lecture, syndicate work, case studies and trading games to sharpen their ability to manage price risk and crude trading in this volatile market.

Course Objective

How does this workshop benefit you?

- ANALYSE the market performance oil and gas investments and their future outlook
- LEARN to trade products in the oil and gas market successfully
- DEVELOP a thorough understanding of the various trading techniques and methods
- IDENTIFY market risk and learn to control them effectively
- APPLY practical strategies and technical analysis to mitigate risk factors in energy trading
- LEVERAGE on energy derivatives to hedge prices and risk exposure

Trainer Profile

David Ford started working in the City of London in 1987 initially for the London Traded Options Market, a division of the London Stock Exchange, before moving to Wise Speke stockbrokers in 1992. After five years broking equity futures and options he moved to the International Petroleum Exchange (IPE) in 1997. At the IPE David was managing director of IPE Training, the training subsidiary of the IPE, establishing it as a worldwide provider of quality energy consulting and related training courses. He has lectured on energy topics throughout Europe, China, Russia, Kazakhstan, Dubai and the US. He played a key role in developing and marketing a number of futures and over-the-counter (OTC) contracts including Brent crude, international coal and EU emissions. Since leaving the IPE he set up Ridgeway Energy Consultancy offering independent energy trading and risk management advice and associated services to the international energy community and has continued to work worldwide.

Assignments have included:

- Product development advice and marketing services to an Asian commodity futures exchange, the largest independent European clearing house and a North American energy exchange
- Advising several emerging commodity/energy exchanges and OTC markets
- Designing an OTC clearing service for the coffee, sugar, cocoa and wheat markets
- Designing three futures contracts for the coal markets
- Advising a national oil company on price risk management issues
- Providing marketing services and market intelligence for an independent energy broker

Petroleum

illuminating the markets

Market Reporting

Consulting

Events

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- Management consultancy to an energy training and conference provider specialising in the Russia and former Soviet Union markets
- Training to various organisations on general energy and energy trading issues including futures and options, price risk management, refining, technical analysis and trading controls.

Who needs this programme?

This course is designed for professionals who wish to enhance their knowledge in crude trading market and, including: commodity traders, trading managers, portfolio and planning managers, analysts and risk consultants.

Course Agenda

The workshop has four sessions covering the following subjects:

1) Physical markets

Trading markets

- Physical
 - o Spot
 - o Forwards
 - o Term
- OTC
 - o Swaps
 - o Options
- Exchanges
 - o Futures
 - o Options
- Forward curves

Physical pricing mechanisms – price exposure

- Fixed pricing
- Floating pricing
- Indexation
- Price exposure – profit and loss
- Volatility

Supply and demand issues

- Geopolitics
- What is crude oil?
- Reserves
- Supply and consumption
- Structure of the markets
- Trends

Transportation

- Time charter
- Worldscale
- Pipelines

Trading crude

- Market locations
- Contracts
- Pricing mechanisms
- Price exposure

Crude evaluation and refining

- Classification and assay
- Gross product worth
- Simple distillation
- Cracking

Oil products markets

- Consumption
- Refinery margins
- Trends in refining
- Product
- Markets and trading

Benchmarks

- What is a benchmark?
- What makes a grade a benchmark?
- Main global benchmarks
 - o WTI
 - o ASCI
 - o Dubai
 - o Brent
- Future developments

Pricing methodology and market analysis

- Petroleum Argus
- Fundamental analysis
- Technical analysis

2) Price risk management, basic hedging instruments

Price risk management – hedging

- Basic principles and objectives
- Identification of risk
 - o Credit, operational, basis
 - o Risk matrix
- Value at risk
- Hedging volumes
 - o Cash flow at risk
- Pricing and forward curves
 - o Cost of carry
 - o Contango
 - o Backwardation
 - o Basis

Futures

- Basic concept
 - o Definitions and terminology
 - o Profit and loss, long and short
 - o Exercise and delivery versus cash settlement
- The clearing house
 - o Clearing
 - o Central counterparty
 - o Margin
 - o Exercise and delivery
- Exchange of futures for physical (EFP)
 - o Objective of an EFP
 - o Increase in open interest
 - o Fall in open interest
 - o No change in open interest
- Trigger pricing and basis trading – a form of hedging
 - o Objectives
 - o Trigger pricing process
 - o Basis trading
 - Establishing the basis
 - Trading out

Swaps

- Basic structure
 - o Plain vanilla
 - o Buyer versus seller
 - o Fixed for floating
 - o Cash flow
- Different types of swaps
 - o Differential
 - o Participation
 - o Extendable
 - o Double-up
 - o Swaption
 - o Pre-paid
 - o Margin or crack
- Pricing swaps
 - o Forward curve
 - Contango
 - Backwardation
 - o Futures

3) Advanced hedging instruments

Options

- Basic concept
 - o Definition and terminology
 - o Exercise and delivery
 - o Buyers and sellers, rights and obligations
- Characteristics of options
 - o Risk and reward
 - o Profit and loss
- Basic trades
 - o Long call
 - o Short call
 - o Long put
 - o Short put
 - o Gearing

- Principles of pricing
 - o Options premium
 - o Intrinsic value
 - o Time value
 - o Volatility
- Option sensitivities – The Greeks
 - o Delta
 - o Gamma
 - o Rho
 - o Theta
 - o Vega

4) Designing a risk management programme

- International accounting standards and hedging
- Policies and procedures
- Control and supervision
- Organisation, roles and responsibilities

All sections will be reinforced by workshops and case studies. In addition, a trading game runs throughout the course enabling delegates to practice their knowledge and skills.

