



STIR Futures

An introduction to Short-Term Interest Rate futures.

Learn about...

- The unique properties of STIR futures and how the markets work
- How to price and value STIR futures. How do the Bloomberg functions work and what impact the *Credit Crunch* has had on pricing relationships.
- Use STIR futures to hedge interest rate exposures,
- Learn about the different exchange strategies such as spreads, butterflies, packs and bundles. Understand their unique properties and applications.

Course Content

Introduction to STIR futures

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- The market for interest rate futures
- Introduction to STIR futures and Exchanges,
- Contract structure and specifications
- Quotation conventions
- How do STIR futures differ from other futures?
- Outrights, Spreads, Packs Bundles, Butterflies and Condors
- Strip yields and the *credit crunch*
- Clearing and margining
- Accessing the market, ISV's, co-lo, algorithms and implied pricing



STIR Quiz – Constructing spreads and determining profit and losses.

STIR Futures Pricing and Valuation

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- Forward rates and forward curves
- STIR futures implied forward rates
- STIR Pricing formula
- Simple and Value basis & convergence
- “Cheap” and “Dear” STIRs
- Bloomberg STIR valuation functionality: EUS<GO>
- Reverse-engineering EUS <GO>

Hedging Using STIR futures

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- Interest rate hedging
- Basic hedging of interest rate exposures using STIR futures
- Advanced hedging to incorporate...
 - Size, tenor, rates and basis.



Workshop – Hedging interest rate exposure with STIR futures

Using STIR futures – Trading

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- Outright trading
 - asymmetric trades
 - price drivers and leading indicators
 - economic indicators
 - correlated and uncorrelated markets
 - Cross market STIR's
 - event risk
 - Central Bank Rhetoric
 - Calendar spread and the yield curve,
 - Spread characteristics
 - The spread matrix
 - Butterfly spreads and condors
 - Pricing strategy trades
 - The effects of the *credit crunch* on strategy trades