



# INFLATION-LINKED BONDS & DERIVATIVES



ICMA Executive Education is a joint partnership between the International Capital Market Association and the ICMA Centre, Henley Business School, University of Reading



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*This course represents a first important and “real” step towards the implementing of investment strategies based on inflation in our portfolios.*

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Senior Portfolio Manager  
Amundi Asset Management



## INTERNATIONALLY RECOGNISED QUALIFICATIONS FOR THE **FINANCIAL MARKET**

### **COURSE OVERVIEW**

This course is specifically designed to increase awareness of the concept of inflation as a separate asset class. It introduces the main concepts related to inflation, the various inflation-linked structures, the different market participants and their respective motivations.

By completing the programme you will:

- Understand the economics of inflation
- Be able to calculate ILB cash flows
- Have a thorough knowledge of inflation bonds, swaps and options
- Be able to look at different types of trades for trading inflation

## COURSE CONTENT

The course content is divided into several topic areas, which are then broken down into multiple subtopics:

### 1. Inflation Fundamentals

- Defining key terms
  - Inflation
  - Deflation
  - Disinflation
  - Hyperinflation
- Real vs. nominal frameworks
- The Fisher equation
- Factors that influence real yields
  - Negative real yields
- A holistic analysis of breakevens
- The composition of the main inflation-related indices
- Sources of market demand and supply

### 2. Inflation-linked Bonds

- Overview of sovereign issuance
- Inflation maths
  - The Canadian model
  - 'Old style' UK linkers
- The par floor
- Seasonality
- Adjusting ILB yields for seasonality

### 3. Inflation-linked Swaps

- Zero coupon
  - Calculating a projected CPI curve
  - Revaluing a zero coupon inflation swap
- Asset swaps
- Real rate swaps
- Year – on – year swaps
- Total return swaps

### 4. Inflation-linked Options

- Caps, floors, swaptions
- Options on TIPS
- Breakeven options
- Inflation implied volatility
- Total return swaps

### 5. Trading Inflation

- Measures of inflation market risk
  - 'Real' modified duration and DV01
- How do real and nominal rates move in relation to each other?
  - Beta
- Carry in an inflation-linked context
- Calculating forward prices
- Example trades
  - Directional real yield trades
  - Breakeven inflation trades
  - Real yield curve trades
  - Breakeven curve trades
  - Forward trades
  - Intra-market transactions

## COURSE FORMAT

The course is a two day classroom-based programme, taking place in London throughout the year. This is a non-examined course but delegates will receive a certificate of attendance, issued jointly by ICMA and Henley Business School, University of Reading.

## TARGET AUDIENCE

This course is suitable for anyone with an understanding of the fundamental concepts of finance and fixed income. An understanding of bond pricing and market risk (i.e. duration/DV01) is assumed.

## ICMA EXECUTIVE EDUCATION

For many years ICMA Executive Education has been regarded as the benchmark in training for both the front office and operations areas of business. Our qualifications and training programmes are internationally recognised and are required training by many of our member firms. ICMA Executive Education is unique in that ICMA and the ICMA Centre, Henley Business School, University of Reading work together to deliver training courses, taught by current and former financial markets practitioners which blend practical and academic know-how, so that candidates have a thorough understanding of the topics being discussed.

Seven examined qualifications are offered:

- Financial Markets Foundation Qualification (FMFQ)
- Securities Operations Foundation Qualification (SOFQ)
- Introduction to Fixed Income Qualification (IFIQ)
- Introduction to Primary Markets Qualification (IPMQ)
- ICMA Fixed Income Certificate (FIC)
- Operations Certificate Programme (OCP)
- Primary Market Certificate (PMC)

All are recognised as certificates of competence in the capital markets and are successfully completed by large numbers of international participants each year. In addition to our examined qualifications we also offer a selection of non-examined training programmes throughout the year. These programmes look at a single topic from the syllabus of one of our advanced qualifications, but are explored in much greater depth to a targeted audience. The training is extremely focused and provides an opportunity to network and discuss the issues affecting the financial markets with your industry peers.

ICMA Executive Education is able to provide any of its public qualifications and training programmes on an in-house basis.

## ICMA CENTRE

The ICMA Centre, University of Reading has an international reputation for providing quality teaching programmes tailored to the capital markets industry. Established in 1991 with funding provided by the International Capital Market Association (ICMA), the Centre is housed in a purpose-built modernist building with state-of-the-art facilities including two dealing rooms. In 2008, ICMA enabled an expansion to the building that now includes an additional 50 seat dealing room, 170 seat lecture theatre as well as new seminar rooms and a dedicated research area.

## THE INTERNATIONAL CAPITAL MARKET ASSOCIATION

The International Capital Market Association (ICMA) represents financial institutions and other participants in the international capital market worldwide with over 530 members in over 61 countries. ICMA's market conventions and standards have been the pillars of the international debt market for 50 years, providing the framework for good market practice which facilitates the orderly functioning of the market. ICMA actively promotes the efficiency and cost effectiveness of the capital markets by bringing together market participants including regulatory authorities and governments.

## FURTHER INFORMATION AND REGISTRATION

For further information and to register for any of our programmes, please visit:

[www.icmagroup.org/education](http://www.icmagroup.org/education)

or contact us at: [education@icmagroup.org](mailto:education@icmagroup.org)

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