

Basic training – level II

Effective hedging for professionals

Trainer: **Prof. J.M.E. (Joost) Pennings**

Professor Pennings is an authority in the field of risk management and the use of risk-management instruments, with a particular focus on raw materials (commodities) and energy carriers. One of his goals is to disseminate insight into the functioning of commodity futures markets.

Joost Pennings is the AST Professor of Theory and Practice of Commodity Futures Markets at Wageningen University and Research, Professor of Marketing and Decision Sciences at the University of Illinois in the Office for Futures & Options Research in the United States, as well as Professor of Behavioral Finance and Professor of Marketing at Maastricht University.

Day 1

09.00-09.30	Welcome with coffee
09.30-12.00	<p>Start of the training session</p> <p>Commodity markets and price volatility</p> <ul style="list-style-type: none">• Price volatility: predictable?• The impact of price volatility on operating income<ul style="list-style-type: none">○ Lowering of capital cost○ Improvement of net cash flows○ Value creation• Overview of risk-management instruments
12.00-13.00	L u n c h
13.00-15.30	<p>Resumption of the training session</p> <p>Commodity futures markets</p> <ul style="list-style-type: none">• Risk management through commodity futures contracts: 'hedging'• Basis risk and the efficiency of risk-management strategies: hedging efficiency
16.00	<p>Hedging in practice:</p> <p>Which contracts? How many? Which exchange?</p>
16.30	S n a c k
17:00	<p>The Hedging Pro:</p> <p>vital link in any successful hedging strategy</p> <ul style="list-style-type: none">• Introduction• Correlation/covariance analysis• Hedging efficiency• Optimal hedge ratios• Single-Product Hedge & Multi-Product Hedge• Base calculation• Simulations of hedging strategies
19:00	A p e r i t i f
19:30	D i n n e r
	E n d o f t h e f i r s t t r a i n i n g d a y

Day 2

09.00-12.00

Morning programme

Risk management using options

- Options versus futures contracts
- Risk management through options
- Option strategies
- Simultaneous purchasing and selling of different options: creating various risk-management profiles

12.00-13.00

L u n c h

13.00

Resumption of the training session

Hedging Documentation (IFRS9)

15:00

Individual work

- Hedging strategies in practice
- Opportunities for spreading
- Real-life case examples of successful risk-management strategies using futures contracts and options
- Example of a futures market
- Example of an option contract
- How to set up hedging in my business?

The Hedging Protocol

16.30-17.00

Evaluation and formal closure

Informal gathering