

Stock Index Arbitrage & Trading Strategies

2 Days

COURSE OVERVIEW

With the introduction of stock index futures in the emerging capital markets, there are distinct inefficiencies and thus opportunities for forward-looking firms to extract abnormal returns from arbitrating and trading the indexes. Arbitrating may be a simple concept, but extracting profits from the strategy requires in-depth understanding of the techniques and structure of the markets. Drawing upon experiences from arbitrating in more developed capital markets, the participants will learn how to set up a profit centre arbitrating and trading the stock index futures from this 2-day trading workshop.

LEVEL

Intermediate

WHAT WILL I GET OUT OF IT?

- Understand the trading mechanism of index futures
- Arbitrage opportunities and application by using index futures
- Trading strategies employing index futures

WHO'S IT FOR?

- Traders
- Fund managers
- Derivative analysts
- Risk managers

COURSE CONTENT

Index Trading Mechanism

- Basics of a futures contract
- Futures for Speculation
- Futures for Hedging
- Contract Specifications
- Trading limits
- Futures pricing

Arbitrage

- Cash-futures arbitrage
- Cash-futures arbitrage with margin
- Arbitrage band
- Cash-futures arbitrage: Early unwinding

- Transaction costs, embedded options and risky arbitrage
- Path dependence in mispricings
- Delayed unwinding (or rollover) of an arbitrage position
- Properties of mispricing
- Speed of the arbitrage response
- The arbitrage portfolio
- Expiration-day manipulation
- Spread trading
- Intra-commodity spreads
- Intra-commodity spreads: Butterfly spread
- Inter-commodity spreads

Uses of Stock Index Futures by Fund Managers

- Adjusting beta of a stock portfolio
- Varying the size of investment in the market
- Separation of stock selection from timing decision
- Changing the asset allocation
- Rebalancing the asset allocation
- Anticipating cash inflows
- Accumulating money for investment
- Uncertain cash outflows
- Investment in foreign equities
- Tilt a fund

Trading Strategies of Different Types of Traders

- Scalpers
- Day traders
- Position traders

Trading System Analysis

- Your "business plan"
- Technical analysis
- 5 rules of trading system analysis
- Strategic set-up
- Tactical triggers
- Position management
- Money management
- Importance of money management plan

Trading Systems

- Differences between a trend-trading system and a range-trading system
- Reviewing a trend-trading system
- Reviewing a range-trading system
- Swing trading

Trading Psychology

- 8 major psychological traps for traders
- Beliefs of top traders
- What makes a good trader?
- Discipline: The key to success