

Risk Management

Objective: To analyze, mainly, the risks associated with a firm, presenting also ways and techniques that can be implemented by the enterprise for these risks to be faced.

- Main Risks.

(Risk and uncertainty, Risks: interest rate risk, inflation, solvency, liquidity, regulatory, sectoral, environmental, market – systemic, non – systemic, operational, financial – leverage, break even analysis, change of raw material and final good prices).

- Measurement of Risk.

Meaning of risk, objective and subjective conditions, Variance and standard deviation, coefficient of variability, Historic variability, Confidence interval, Historic variability as a function of time, Value at risk, Sensitivity analysis, Systemic risk.

- Facing Risks at various levels

Facing risk at the company level (efficiency, horizontal, vertical and conglomerate expansion, balance sheet management) and at the bank level.

- The capital market and its instruments

Debt securities (government bonds, Bonds of international organizations, corporate bonds), the yield curve, bond pricing. Equity securities (common and preferred shares), the dividend.

- Risk management, Markets and Products

The historic evolution of derivatives, cash markets, forward and futures contracts (valuation), options (valuation), swaps (coupon swaps, risks in swaps, the plain vanilla swap).

- Basic variables in risk management

Risk, return, correlation coefficient, beta, leverage, margin requirements.

- Management of systematic risk without using derivatives

Bond duration, the volatility of bond price, measures of bond price volatility, convexity, balancing outflows with inflows, bond portfolio immunization.

- Hedging with the use of futures

Managing of stock portfolio using beta, change in investment allocation, immunization of bond portfolio.

- Implementing futures hedging

Decisions before hedging (long or short hedge, when, which, how many), estimating the hedge ratio, hedging efficiency, the basis.

- Hedging with the use of options

Protective options positions, covered options positions, dynamic hedging.