

THE GLOBAL PRODUCT CERTIFICATION PROGRAM

CERT <GO> GET THE BEST OUT OF BLOOMBERG

E303: Equity Arbitrage

OBJECTIVE

The aim of this seminar is to ensure that participants are familiar with the many Bloomberg functions that can highlight price discrepancies between the main and secondary listings of a company or between a main listing and an ADR for example. Where possible this can lead to risk free profits, or the cheapest way to gain exposure to an equity. The seminar also looks at functions for generating profits from the buying and selling of multiple securities.

QMC

QMC displays quotes from all the foreign exchanges upon which a selected equity trades. You can use QMC to convert the bid, ask, and last prices of the equity into a common currency and adjust for the number of shares per receipt and/or certificate (excluding taxes or other charges) in order to find arbitrage opportunities.

EARB

Use EARB to display a list of stocks, American Depositary Receipts (ADRs), and Global Depositary Receipts (GDRs) that trade on two exchanges and contain price differentials. EARB allows you to see possible arbitrage opportunities.

ADRM

ADRM can be used to search for Depositary Receipts by exchange and by country of origin. The function will convert the ADR price into the base currency and show premium or discount so that arbitrage possibilities can be isolated.

POD

POD graphs a selected Depositary Receipt's currency adjusted price against that of the underlying equity price. You can use POD to determine potential arbitrage opportunities between receipts and their underlying local shares as the prices of the two securities diverge over time.

NAV

Use NAV to graph a selected closed-end fund's price and net asset value, as well as the discount or premium of its price to net asset value. You can use NAV to determine if a fund is trading under or over its historical discount or premium.

SRCH/WSRC

These two functions can be used to search for instruments trading at a discount and hence to locate arbitrage opportunities.

MA

Use MA to find comprehensive coverage on global merger and acquisition activity. You can use a standardized deal search or create a customized search based on criteria that you specify. Up to the minute information can assist in isolating arbitrage opportunities between bid terms and target price.

CIX/G/NW

Use CIX to create a custom index expression (CIX) by applying an algebraic expression to an underlying set of component securities. By allowing you to monitor the relationship between data series more easily, arbitrage opportunities can be made more obvious. The G and Launchpad functions can be used to display this data and calculate real-time P&L.

HS

Use HS to graph the spread using the price or yield of two selected securities over a specific time frame. You can use HS to identify opportune times to trade securities based on widening or tightening spreads.

HRA

HRA estimates the strength of a historical relationship between a dependent variable and another independent variable. You can study the relationship between the variables to gather insights into future price movements.

CORR

CORR can be used these functions to determine if securities, interest rates, currencies, and indices move inversely or in tandem with each other by identifying positive and negative correlations between them. You can compare various correlations to one another in order to identify trade opportunities through changing spreads as well as evaluate opportunities to minimize currency risk by hedging. FV/FVD Use FV to determine whether an equity-index futures contract is mispriced relative to the value of the corresponding cash index. FV determines a theoretical value of the futures contract based on the number of days until the contract expires, the dividends paid on the underlying stocks in the index, and prevailing money market rates. If the futures contract is mispriced, there may be potential for a profitable arbitrage between the index and the future. FVD highlights the relationship between the selected index and its two equity index futures contracts that are nearest to expiration.

