

THE GLOBAL PRODUCT CERTIFICATION PROGRAM

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F302: Market Risk

OBJECTIVE

This session is designed to help you gain an understanding of how the Bloomberg System can be used to calculate the market risk of an individual security or portfolio and the hedge needed to eliminate that risk.

YAS

Use YAS to calculate interest rate risk and the hedge ratios necessary to offset that risk for a selected security.

FYH

Use FYH to calculate the number of futures contracts required to hedge a selected security.

PSA

Use PSA to create a comprehensive report forecasting the profit/loss or horizon return scenarios for a selected portfolio/macro. PSA gives detailed analysis on a portfolio and its components based on your interest rate, volatility, and foreign exchange rate assumptions. You can use PSA to identify the securities that have the greatest exposure to changing interest rates, so that you can restructure your portfolios to manage interest rate risk.

PSH

Use PSH to analyze the impact of a proposed trade on a portfolio. PSH allows you to calculate the number of bonds that must be bought or sold to reach your target duration. You can use PSH to hedge your inventory by running paper trades based on your yield curve assumption.

OPSF

Use OPSF to perform a scenario analysis for a selected private portfolio using data choices you select. You can also use OPSF to create a new portfolio, update existing portfolios, and test various hedging strategies for a selected portfolio. OPSF is designed to analyze portfolios that contain options, including options that have different underlying securities.

MRKT

Use MRKT to locate contributors who have a Bloomberg page providing prices/rates and frequencies of prices/rates for a specific market.

VOL

Use VOL to compare historical volatilities with implied volatilities. You can see how interest rates have moved in the past and compare them with the market's expectations. In addition, VOL provides volatilities used in Value-At-Risk calculations.

HVT

HVT displays historical price or yield volatilities for a selected security. You can use HVT to determine short- and long-term trends in historical volatility so that you can predict future volatility and price direction.

HRH

Use HRH to display a historical return histogram for a selected security. You can use HRH to determine if a security's returns follow a normal theoretical distribution and, therefore, determine the validity of pricing model assumptions.

PVAR

Use PVAR to measure the maximum potential loss on a security or group of securities from a selected portfolio or macro for a specified period and probability (degree of confidence). The Value-At-Risk (VAR) measurement focuses on the potential occurrence of losses that are statistically unlikely yet not inconceivable. VAR analysis measures price risk across all types of markets, allowing you to examine price risk in all of your positions simultaneously.

BLP

Bloomberg Launchpad is a customizable, dynamic user interface, which takes existing BLOOMBERG PROFESSIONAL™ service functions and allows them to exist on your computer desktop. Bloomberg launchpad builds an interactive workstation driven by the BLOOMBERG PROFESSIONAL™ service's data, news, and analytics in a format that allows you to access the information you need, when you need it.



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