COURSE OUTLINE:

Understanding Credit Spreads

2 Days
16 CPE Credits

Overview

This two day programme is designed to provide a comprehensive overview of traditional and modern methodologies for calculating credit spreads, together with the analytical process with which to interpret the spreads with a view to making superior investment decisions. The programme starts by considering the traditional approach of a credit spread as a measure of expected loss, and then progresses into the analysis of credit spreads on bonds, covering the standard measures of spread (G, I, Z, OAS, ASW, CDS basis). Attention then turns to the option theoretic approach, covering the calculation and application of expected default frequencies. This leads into an analysis of other market implied measures, and this concludes with an analysis and implementation of fair value spreads.

Learning Objectives

By the end of the course participants will be able to:

- » Understand the calculation of bond spreads (as shown on a Bloomberg YAS page)
- » Analyse historic vs. market implied risk measures
- » Describe the calculation and use of market implied measures
- » Understand the value of FVS and their use in the investment process

Who Should Attend

This course will be useful for:

- » Bond portfolio managers
- » Credit officers
- » Risk managers
- » Bond traders

Program Level

Program Level: Introductory

Prerequisites: Suggested one-two years' experience in a capital markets/structured finance related function or relevant business related degree.

Advanced Preparation: None

Delivery Method: Group-Live

Accreditation

Moody's Analytics is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.nasbaregistry.org.

WHY MOODY'S ANALYTICS?

Current and Consultative

Our seminars are created and updated utilizing the extensive experience, skills and research of Moody's Analytics. For in-house training, we work with you to understand the distinct needs of your organization and design, implement, and track the performance of your learning programs from end-to-end, including skills assessment, program design, implementation, evaluation, and enhancement.

Comprehensive Coverage

We offer a broad set of technical and soft skills programs that can be combined and adapted to the needs of your staff. Our areas of expertise include banking, finance, sales negotiation and leadership development:

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Our training solutions leverage over a century of experience in risk assessment and the comprehensive tools, data, and analysis of Moody's Analytics to deliver timely, in-depth, and comprehensive knowledge. In delivery, our people make the difference – they combine deep experiences as financial practitioners, intellectual passion for the content, and superior academic credentials with a commitment to delivering outstanding quality.

Understanding Credit Spreads – Agenda

DAY ONE

Session 1: Credit spreads: a primer

- » Linking credit spreads to expected loss
- » Theoretical vs. market spreads
- » Risk premia
- » Rating agency data: PD, LGD and rating transitions

Session 2: Fixed income analytics: "traditional" measures of spread

- » IRR & YTMs
- » G spread
- » Constant maturity yields
- » I spread
- » OAS spread
- » Z spread
- » ASW spread
- » CDS basis
- » Case study (Excel): computing the above spread on bonds
- » What do all these spreads tell us? How should they be used?

Session 3: Option theoretic models

- » Intuitive linking of default risk to equity price
- » Understanding the Moody's Analytics VK model framework
- » Expected default frequencies
- » Case study (Excel): EDF analysis

DAY TWO

Session 4: Market implied measures

- » Moody's Analytics market implied ratings
  - – Bond implied
  - – EDF implied
  - – CDS implied
- » CDS implied EDFs
- » Case study (Excel): analysis of market implied measures

Session 5: Fair Value Spread (FVS)

- » Understanding the FVS
- » Model framework
- » Deriving risk neutral default probabilities
- » Case study (Excel): deriving default probabilities from a CDS term structure
- » Using FVS in credit investing
- » Case study: comparing bonds using FVS

RELATED COURSES

- » Structured Finance
- » Introduction to Derivatives
- » Introduction to Credit Derivatives
- » Managing Market Risk in a Fixed-Income Portfolio
- » Inflation Products

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Fees & Cancellations

The fee listed is per participant and includes refreshments, lunches and seminar materials. Seminar fees do not include tax, transportation or hotel accommodations. Payment must be received in full prior to the start of the seminar. Registrations may be cancelled in writing via letter or email at least 30 days before the first date of the training for a full refund. Cancellations received less than 30 days in advance are eligible for substitution with another seminar, but fees will not be refunded. We reserve the right to cancel or reschedule seminars at any time. For further information on our refund and complaint policy, please contact us.

CONTACT US

AMERICAS
TrainingAmericas@moodys.com
+1.212.553.4387

EMEA
TrainingEMEA@moodys.com
+44.207.772.1569

ASIA
TrainingAsiaPac@moodys.com
+852.3551.3131

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