

INDEX

.....

- 30/360 day-count convention 32, 191
- 30E/360 day-count convention 32

- ABN Amro Hoare Govett Sterling Bonds Limited 347–50
- ABSs *see* asset-backed securities
- acceptance financing 123–4
 - see also* banker's acceptances
- ACCR bonds 334–7
- accruing/amortising swaps 253
- accrual pricing 147
- accrued interest
 - concepts 19–20, 27–8, 30–2, 73, 111, 204–5, 272–4
 - day-count conventions 32, 111–13, 147, 149, 191
- actual defaults, credit derivatives 302–3, 307
- actual/360
 - day-count convention 32
- actual/365
 - day-count convention 32
- actual/actual day-count convention 32
- American options 186–8, 287–97
 - see also* options
- amortising SPV structures 227–8
- amortising swaps 253
- analysis, bonds 8–18
- announcement date, Eurobond issues 167–8
- annualized interest rates 9–19, 27–30, 84–5, 252
- annuities 46–7
- annuity bonds *see* perpetual bonds
- annuity indexation methods, inflation-linked bonds 208–9
- anti-dilution clauses, convertible bonds 184–8
- arbitrage 45–6, 58–9, 65–6, 275–82, 291, 323–6, 355–7
- Asia 250–2
- Asian options 296–7
- asset and liability management 50–2, 110, 220–3, 230–1
- asset swaps, concepts 245, 307–10, 331–7, 358–60

- asset-backed securities (ABSs) 2, 5–6, 98–100, 126–7, 218–42, 304
 - see also* securitisation
 - average life 219–20, 233–4
 - concepts 218–42, 304
 - definition 221
 - market size 222
- asset-linked swap structures 256–7
- ASW screen, Bloomberg 309–10, 332, 358–60
- at-the-money options 288
- auction issues, Eurobonds 169
- Australia 156, 207
- Autostrada 153
- average life
 - asset-backed securities 219–20, 233–4
 - securitisation 219–20, 233–4

- B-S *see* Black and Scholes options pricing model
- balance-sheet capital management, securitisation uses 222–4, 230–1
- bank bills *see* banker's acceptances
- Bank of England 51, 124, 142, 189–90
- Bank for International Settlements (BIS) 223
- bank loans, secondary markets 2–3, 218–42, 304–5
- banker's acceptances 111–13, 121, 123–4
 - see also* bills of exchange; money markets
- bankruptcies 307
- banks
 - asset and liability management 50–2, 110, 220–3, 230–1
 - Basel rules 223, 231
 - capital adequacy requirements 223–4, 230–1
 - CDs 110, 111–13, 115–20
 - central banks 51, 94, 119–20, 124, 129–30, 142, 189–90, 215–16
 - collapses 198, 364
 - competition 304
 - credit derivatives 301–37
 - Eurobond syndicates 159–64, 168
 - interbank rates 12–14, 90–1, 94–103, 113–15
 - lead Eurobond managers 159–64, 169

- banks (*cont.*)
- letters of credit 126
 - money markets 110–20
 - repos 136–49, 345–6
 - risk management 364–78
 - securitisation 218–42
 - short-term institutional investors 6–8, 50–2
 - swaps 97–8
- Barclays Capital 193
- Barclays plc 116
- Baring's 198, 364
- barrier credit options 327
- Basel rules 223, 231
- basis
- CDSs 331–7
 - concepts 65, 79–82, 260–3, 273–4, 280–2, 331–7, 342–6, 351–7, 368–9
 - points 79–87, 90–1, 94, 103, 249–52, 260–3, 282, 342–6, 351–7, 368–9
 - risk 65, 280–1, 365–6
 - swaps 245, 254
 - trading 273–4, 342–6, 351–7
- basis point value (BPV) 79–82, 260–3, 282, 342–6, 351–7, 368–9
- basket options 296–7
- BBA screens, Bloomberg 355–7
- bear markets 294–5
- bearer securities 124–9, 157, 173–7, 179–82, 190–4
- Bermudan-style options 287
- see also* options
- bid-offer spreads 341
- bills of exchange 110–13, 121, 123
- see also* banker's acceptances; money markets
- binomial method, options pricing 288–9
- BIS *see* Bank for International Settlements
- Black and Scholes options pricing model (B-S) 283, 288–93
- Bloomberg screens 7, 29, 41–2, 111–13, 118, 120, 129–33, 138–41, 143–4, 147, 179, 199–201, 204–6, 238–41, 261, 266–9, 271–6, 309–10, 314–15, 332–6, 340, 345–6, 355–60
- see also individual screens*
 - asset swaps 309–10, 358–60
 - butterfly trades 355–7
 - CDSs 314–15
 - concepts 358–60
 - credit ratings 199–201
 - Eurobonds 179
 - futures 271–6
 - money markets 129–31
 - reverse repos 138–40, 147, 345–6
 - securitisation 238–41
 - swaps 266–9
 - yield curves 360–2
- bonds
- see also* coupons; markets
 - analysis 8–18
 - cash flows 2, 8–18, 54–65, 72–87, 209–16
 - concepts 1–33, 156–7, 269–82
 - convertible bonds 6, 158–9, 184–8
 - convexity 82–7, 354–7
 - default-free characteristics 8, 54–5, 196, 340–1, 350–7
 - definition 2–3
 - duration 72–87, 96–7, 208–9, 344–6, 351–7
 - embedded options 5–6
 - Eurobond markets 156–7, 166
 - fair prices 18–30, 73–6, 289
 - FRNs 5, 89–104
 - futures 269–82, 287–8
 - government bonds 2–4, 8, 20–1, 27–9, 40–2, 51, 54–5, 64–6, 137–43, 145–6, 189, 204–5, 219–20, 247–8, 339–62
 - inflation-linked bonds 203–16
 - issuers 4–8, 91–2, 97–8
 - key features 4–6
 - options 98–9, 184, 188–90, 263, 283–97
 - prices 4–5, 8, 19–20, 23–32, 72–87, 137–41, 143, 147
 - pricing 8–30, 67–9, 340–1
 - principal 3, 4–5, 18–30, 73–6, 204–16
 - term to maturity 3, 4–5, 7, 18–22, 26–51, 73–6, 340–6
 - types 3, 5–6, 155–6
 - warrants 184, 188–90, 285
- bootstrapping
- see also* discount factors
 - concepts 17, 45–6, 54–65
- borrowers, concepts 3–4
- bought deals, Eurobonds 169
- BPV *see* basis point value
- BQ screens, Bloomberg 358–60
- break-even inflation rates 215
- breakeven principle, concepts 45–6, 62–5
- British Bankers Association 114
- British Petroleum plc 198
- British Telecom 332
- BSR screens, Bloomberg 143–4
- BTMM screen, Bloomberg 129–30
- building societies 6–8, 50–2, 115, 220–3
- Bulldog bonds 155
- bullet bonds *see* conventional bonds
- butterfly trades
- Bloomberg screen 355–7
 - concepts 350–7
 - definition 350
 - yield gains 353–4
- call options
- see also* options
 - ABSs 233–4
 - concepts 94, 186–8, 233–4, 284–97, 326–7
 - convertible bonds 186–8
 - covered call hedge 295–6
 - definition 284, 286
 - flipper bonds 94
 - usage strategies 293–7
- callability features, FRNs 90
- callable bonds
- convertible bonds 186–8
 - convexity 84–6

- Canada 156, 199, 207–8
- capital, sources 3–4
- capital adequacy requirements, banks 223–4, 230–1
- capital gains, FRNs 91–4
- capital indexation methods, inflation-linked bonds 207–9
- capital markets, risk exposure 364–78
- capital structure arbitrage, TRSs 323–6
- caps, FRNs 90, 93–4, 98
- car loans 219–21
- cash flows
 - CLNs 316–18
 - concepts 2, 8–18, 54–65, 72–87, 209–16, 257–8
 - dispersion 83–4
 - duration 72–87
 - future cash flows 8–18, 54–65, 72–87
 - inflation-linked bonds 209–16
 - securitisation 233–42
- cash instruments, money markets 110–49
- cash securitisation
 - see also* special purpose vehicles
 - concepts 220–1
- cash settlement, credit derivatives 311–15, 316–18
- cash waterfalls, securitisation 229–30
- cash-and-carry trading 273–4
- cash-driven repo transactions 133
 - see also* repos
- catastrophic outcomes, risk measures 376–8
- CBOT *see* Chicago Board of Trade
- CDs *see* certificates of deposit
- CDSs *see* credit default swaps
- Cedel 177–81, 233
- central banks 51, 94, 119–20, 124, 129–30, 142, 189–90, 215–16
- certificates of deposit (CDs) 110, 111–13, 115–20
 - see also* money markets
 - concepts 110, 111–13, 115–20
 - coupons 115–20
 - definition 115
 - issuers 115–16
 - liquidity 118–20
 - uses 115
 - yields 115–18
- CFG screens, Bloomberg 238, 240, 241–2
- cheapest-to-deliver bonds (CTDs) 273–82, 312
- Chicago Board of Trade (CBOT) 271–4, 297
- Citibank 91, 193–4
- Citigroup 95
- City of London 190
 - see also* UK
- classic repos
 - see also* repos
 - concepts 131–49, 279–80, 341
 - terms 137–41
- clean deposits *see* time deposits
- clean prices, concepts 19–20, 30–2, 143, 281
- clearing houses 270–81
- clearing systems, Eurobonds 171–2, 177–8
- Clearstream 171–2, 175, 177–81
- cliquet options 297
- CLNs *see* credit-linked notes
- closing day, Eurobond issues 167–8
- CMOs *see* collateralised mortgage obligations
- co-lead managers, Eurobonds 163
- collared FRNs 93–4
- collateral
 - concepts 134–5, 145–6
 - coupons 146
 - repos 134–49
- collateralised loans 98, 145–6, 219–42
- collateralised mortgage obligations (CMOs) 98, 219–20, 324–37
- commercial bills *see* banker's acceptances
- commercial paper (CP) 110–13, 121, 124–9, 190, 197, 365–6
 - see also* money markets
 - concepts 124–9, 190, 197, 365–6
 - credit ratings 124–7, 197
 - definition 124
 - issue methods 127
 - issuers 124–5, 126–7
 - liquidity 127–8
 - programmes 126–7
 - yields 127–9
- Common Code, Eurobonds 178
- compound interest, concepts 10–18, 28–30, 62–5
- concentration risk 365–6
- considerations example 20–1
- consumer price indexes 204–16
 - see also* inflation ...
- conventional bonds
 - see also* bonds
 - concepts 3–33, 73–6, 86, 215–16
 - inflation-linked bonds 215–16
- conversion factors
 - bond futures 272–4, 282
 - hedge ratios 282
- conversion premium 185–8
- conversion price, concepts 158–9, 184–8
- conversion ratio 184–8
- convertible bonds
 - anti-dilution clauses 184–8
 - concepts 6, 158–9, 184–8
 - critique 158–9, 184–8
 - currency convertibles 159
 - definition 184
 - Eurobond markets 158–9
 - percentage conversion premium 185–8
 - premiums 185–8
 - step-ups 184–8
- convexity
 - see also* duration
 - adjustments 85–7
 - butterfly trades 354–7
 - callable bonds 84–6
 - concepts 82–7, 354–7
 - definition 83–4
 - gains 254–7
 - investors 86–7
 - zero-coupon bonds 84

- corporate bonds
 - see also* bonds
 - concepts 4, 6–8, 190–4, 358–60
 - MTNs 193–4
- correlation (variance/covariance) method, VaR
 - calculations 370–3
- corridor FRNs 93–4
- cost of carry 279–80
- counterparty risk 303–37, 364–6
 - see also* credit risk
- coupons
 - accrued interest 19–20, 27–8, 30–2, 111, 204–5, 272–4
 - bearer securities 175–6
 - CDs 115–20
 - concepts 2–34, 53–65, 73–87, 91–104, 115–20, 156–7, 175–6, 203–16, 269–82, 348–50
 - duration 77
 - FRN reset dates 91–104
 - inflation-linked bonds 203–16
 - inverse floaters 94–5
 - payment conventions 5, 18–19, 32
 - quasi-coupon periods 21–2, 56–7
 - rate 5, 7
 - repo collateral 146
 - spreads 348–50
 - withholding tax 25
 - yield to maturity 8–18, 23–30, 42–4
- covariance method, VaR calculations 370–3
- covenants, Eurobonds 171
- covered call hedge 295–6
- CP *see* commercial paper
- credit analysis, issuers 196–201
- credit analysts 197–201
- credit cards 219–21, 316, 324–6
- credit default risk
 - see also* credit risk
 - concepts 8, 374–8
- credit default swaps (CDSs)
 - see also* unfunded credit derivatives
 - basis 331–7
 - Bloomberg screen 314–15
 - concepts 300–1, 303–6, 311–15, 327–37
 - definitions 311, 331
 - examples 313
 - settlement methods 311–15
 - structured finance securities 335–7
 - uses 314–15, 327–37
- credit derivatives 131, 299–337
 - actual defaults 302–3, 307
 - CDs 300–1, 303–6, 311–15, 327–37
 - characteristics 305–7
 - classification 305–7
 - CLNs 300–1, 305, 306, 314–18
 - concepts 299–337
 - credit events 301, 305–37
 - credit exposure 303–5, 328–37
 - credit options 326–7
 - critique 300–1, 303–5
 - definition 302
 - deliverable obligations 306
 - disintermediation benefits 300–1, 304
 - funded/unfunded types 301, 306
 - general applications 327–37
 - importance 300
 - legal agreements 301–2, 306–7
 - market trends 300–1
 - parties 303–5
 - portfolio management 301, 303–5, 324–6, 328–30
 - reference entities 305–37
 - settlement mechanisms 306, 311–18
 - supply and demand 331–7
 - technical defaults 302–3, 307
 - TRSs 131, 300, 318–26, 327–37
 - types 300–1
 - uses 300–1, 303–5, 314–15, 327–37
- credit enhancement 199, 218–19, 225–7, 228–33, 237–9
- credit events
 - credit derivatives 301, 305–37
 - definition 306–7
- credit exposure 303–5, 328–37, 374–8
- credit options, concepts 326–7
- credit ratings
 - agencies 154, 191, 196–201, 231–3, 307, 360, 377–8
 - Bloomberg screens 199–201
 - commercial paper 124–7, 197
 - concepts 196–201, 225–8, 231–3, 303, 307, 320–7, 340–1, 360, 376–8
 - costs 198
 - credit watch 199
 - defaults 303, 377–8
 - definition 197
 - issuers 4, 7, 115–16, 124–7, 145, 154, 161–2, 166, 171, 179–80, 191, 195–201, 225–8, 231–3, 237–9, 301, 303, 307, 320–6, 340–1, 360, 376–8
 - MTNs 191, 197
 - purposes 197–8
 - reviews 199, 301, 307, 326–7, 375–8
 - securitisation 225–8, 231–3, 237–9
- credit risk
 - see also* default risk
 - assessments 197–201, 224, 374–8
 - concepts 8, 41–2, 90, 110, 145, 196–201, 224–7, 228–30, 250–2, 301–37, 364–6, 374–8
 - decisions 197–8
 - limits 378
 - money markets 110, 145
 - name recognition 197–8
 - types 374–8
 - Value-at-Risk (VaR) 374–8
- credit spreads
 - credit derivatives 330
 - credit risk 374–8
- credit swaps *see* credit default swaps
- credit switches, zero-cost credit exposure 329–30
- credit watch 199
- credit-linked notes (CLNs) 300–1, 305, 306, 314–18
 - see also* funded credit derivatives
 - concepts 300–1, 305, 306, 314–18

- definition 315–16
- uses 314
- credit-supported commercial paper 126–7
- CreditMetrics 375
- CreditRisk+ 377–8
- CreditTrade 301
- cross-currency swaps, concepts 97–8, 245, 264–9
- CRVD screens, Bloomberg 332–3
- CSFB 192–3, 375–8
- CTDs *see* cheapest-to-deliver bonds
- cum-dividend trades, concepts 31–2
- currencies 97–8, 102–4, 111–13, 149, 159, 245, 264–9, 365–6
 - IDNs 102–4
 - money markets 111–13, 149
- currency convertibles, concepts 159
- currency coupon swaps 245
- currency risk 104, 365–6
- currency swaps, concepts 97–8, 245, 264–9
- current yield, concepts 24–5, 76, 279–80
- current-pay indexation methods, inflation-linked bonds 208–9
- custodians, Eurobonds 173–4, 177–8

- Daimler-Chrysler Financial 126
- Daiwa 364
- day-count conventions, concepts 32, 111–13, 147, 149, 191
- days remaining, CDs 117
- DCX screens, Bloomberg 112–13
- dealer-issued commercial paper 127–9
- debt capital
 - see also* bonds
 - concepts 1–33, 151–81, 196
- Debt Management Office 51
- debt service coverage ratio (DSCR) 237
- default risk
 - see also* credit risk
 - concepts 8, 374–8
- default swaps *see* credit default swaps
- default-free characteristics, bonds 8, 54–5, 196, 340–1, 350–7
- definitive form, Eurobonds 174–8
- deliverable obligations, credit derivatives 306
- delivery baskets, futures 272–82
- delta, options prices 292–3
- dematerialised transactions 171–2
- depositories, Eurobonds 171–2, 175, 177–8
- derivatives 25–6, 51, 52, 61–5, 94, 96–100, 102–3, 110, 244–98, 299–337
 - see also* credit ...; futures; interest-rate futures; options; swaps
 - concepts 244–98
 - exchange-traded derivatives 110, 269–82
 - forward rate agreements (FRAs) 61–5, 110, 260, 284
 - hedging 259–63, 269–70, 280–1, 295–6
 - money markets 110
 - OTC 110, 244, 269, 302, 326–7
 - risk management 244–98, 300–37
 - speculation 244, 269, 280–1
 - types 110, 244–98
 - uses 244
- DES screens, Bloomberg 7, 204–6, 238–9, 271–6, 334–6
- digital credit derivatives 311–12, 327
- direct-issued commercial paper 127–9
- dirty prices, concepts 19–20, 27–8, 30–2, 137–41, 143, 147, 342, 351–7
- discount factors
 - see also* yields
 - concepts 15–18, 20–3, 43–7, 53–65, 73–6, 93–4, 121–3
- discount function, concepts 15–18, 20–1, 53, 65
- discount-basis quotes (discount instruments), money markets 111–13, 121–49
- discounted margin method, FRN analysis 91–4
- discounting, concepts 9–32
- discounts, zero-coupon bonds 5, 25–7, 52–3
- disintermediation benefits, credit derivatives 300–1, 304
- dispersion, cash flows 83–4
- disposal of assets covenant, Eurobonds 171
- distribution of losses, risk measures 376–8
- diversification, risk 218–19, 224–5
- DLV screens, Bloomberg 273–4, 276
- downgrades, credit ratings 199, 301, 307, 326–7, 376–8
- downward-sloping (inverted/negative) yield curves 48–51, 94–5, 280, 341
- due diligence 226–7, 235
- Duff & Phelps Credit Rating Co. (D&P) 196–201
- duration
 - see also* convexity
 - concepts 72–87, 208–9, 234, 252, 344–6, 351–7
 - coupons 77
 - critique 83
 - definition 72–6, 82–3
 - inflation-linked bonds 208–9
 - inverse floating-rate notes (inverse floaters) 96
 - perpetual bonds 76
 - properties 77
 - swaps 252–3
 - uses 77, 208–9
 - zero-coupon bonds 77
- dynamic adjustments, portfolio management 344–6

- e* (natural logarithm) 12
- ECB *see* European Central Bank
- economic influences
 - inflation rates 49–51, 94–5
 - recessions 51
 - yields 2, 18, 50–2
- The Economist* 51, 300
- effective dates, IR swaps 249
- efficient/perfect markets 274–5
- EIB *see* European Investment Bank

- electronic trading and settlement 171–2, 175, 177–82
- eligible banker's acceptances
 - see also* banker's acceptances
 - concepts 124
- embedded options
 - see also* call ...; convertible bonds; put ...
 - concepts 5–6
- emerging markets 4
- ENEL 157
- equities 3–4, 6, 158–9, 184–90, 285
 - convertible bonds 6, 158–9, 184–8
 - voting rights 189
 - warrants 184, 188–90, 285
- EURIBOR interbank rate 91, 114, 157
- euro 41, 91, 102–3, 114, 127–8, 156–7
- Euro MTNs (EMTNs) 190
- Euro-CDs 116
- Euro-MTN programme 172
- Eurobonds 5, 18–19, 20–1, 27, 62–3, 145, 151–81, 190–1
 - auction issues 169
 - bank syndicates 159–64, 168
 - Bloomberg screens 179
 - bonds 156–7, 166
 - borrowing parties 161–5
 - bought deals 169
 - clearing systems 171–2, 177–8
 - co-lead managers 163
 - Common Code 178
 - concepts 152–81, 190–1
 - convertible bonds 158–9
 - covenants 171
 - critique 161–2
 - custodians 173–4
 - dates 167–8
 - definition 152–3
 - depositories 171–2, 175, 177–8
 - fees/expenses 165–6
 - fiscal agents 172, 176–7
 - fixed price re-offer schemes 160
 - foreign bonds 155–6
 - form of the bond 174–7
 - FRNs 157, 165–6
 - grey market 160, 163–4, 166, 168–9
 - historical background 153
 - importance 152
 - innovations 152
 - instruments 156–9
 - interest payments 156–7
 - ISIN 178
 - issuers 152–3, 159–64, 174–7
 - issuing processes 167–70, 174–7
 - lead managers 159–64, 169
 - leading book-runners 155
 - listings 165–6, 175–6, 177
 - market participants 152–3, 159–64
 - OTC 156–7
 - paying agents 172
 - pre-priced offerings 169
 - pricing 166–8
 - registrars 173, 175–6
 - regulations 174–9
 - secondary markets 162–3, 177–8, 179–82
 - settlement conventions 181–2
 - stabilisation period 168, 169
 - trust services 171–4
 - trustees 173–4, 176–7
 - underwriters 152, 155, 159–66
 - uses 161–5
 - zero-coupon bonds 157–8
- Euroclear 171–2, 175, 177–82, 233
- Eurocommercial paper 125–6, 128
- Eurodollar bonds 152–3
- Euromarket notes, currencies 102
- European Central Bank (ECB) 41–2, 114
- European Investment Bank (EIB) 181
- European options 287–97
 - see also* options
- Eurosterling bonds 153
- ex-dividend trades, concepts 31–2
- Excel 290
- excess spreads 229–30
- exchange-traded derivatives, concepts 110, 269–82
- exercise, options 284–7
- exercise price, convertible bonds 158–9, 184–8
- exotic instruments
 - see also* floating-rate notes
 - concepts 90–104, 156–7, 283, 296–7, 327, 373–4
 - uses 90, 327
- expectations hypothesis, yield curves 48–9, 66
- expenses, Eurobond markets 165–6
- expiry dates, options 286–7

- Fabozzi, Frank J. 339, 353
- face amount *see* principal
- fair prices, concepts 18–30, 73–6, 274–82, 289
- Fed Funds 119–20, 360–2
- Federal Home Loans Mortgage Corporation 219
- Federal Reserve 94, 119–20, 124, 129–30, 360–2
- fees/expenses, Eurobond markets 165–6
- financial companies, commercial paper 126–7
- Financial Services Act 1986 177
- Financial Services Authority (FSA) 177
- first-order risk-neutral trades 340
- fiscal agents, Eurobonds 172, 176–7
- Fitch Investors Service 196–201
- fixed price re-offer schemes, Eurobonds 160
- fixed-income securities
 - see also* bonds
 - concepts 1–33, 196
- fixed-rate payers, IR swaps 245–64
- flat yield *see* current yield
- flipper bonds, FRNs 94
- floating-rate notes (FRNs)
 - callability features 90
 - caps 90, 93–4, 98
 - concepts 5, 90–104, 157, 193–4, 245–52, 257
 - definition 90–1

- duration 252
- Eurobond markets 157, 165–6
- floors 90, 94–5
- inverse floating-rate notes 94–8, 193–4
- margin method 91–4
- reference indexes 90–4, 96
- reset dates 91–104
 - types 93–8
 - yield to maturity 93–4
- floating-rate payers, IR swaps 245–64
- floors, FRNs 90, 94–5
- FMC screen, Bloomberg 179–80
- force majeure* risk 364
- Ford Motor Company 7, 29, 126, 190, 301, 361
- foreign bonds 155–6
- form of the bond, Eurobonds 174–7
- forward (forward-forward) yield curves,
 - concepts 47–51, 65–6
- forward interest rates
 - see also* implied rates
 - bootstrapping 54–65
 - breakeven principle 62
 - concepts 25, 45–6, 47–51, 52–68
 - spot rates 47–8, 52–66
 - understanding 65–6
- forward rate agreements (FRAs) 61–5, 110, 260, 284
- forward–forward rates 47–51, 58–65
- forward-starting options 297
- forward-starting swaps 249, 254–5
- forwards 61–5, 110, 245
- France 22, 116
- FRAs *see* forward rate agreements
- FRNs *see* floating-rate notes
- FTSE 100 100–1
- fund managers 6–8, 281
- funded credit derivatives
 - see also* credit-linked notes
 - concepts 301, 306
- future cash flows, concepts 8–18, 54–65, 72–87
- futures 52, 65, 110, 245, 247, 259–62, 269–88
 - see also* interest-rate futures
 - arbitrage 275–82
 - Bloomberg screens 271–6
 - classes of contract 269–70
 - clearing houses 270–81
 - concepts 247, 259–62, 269–82, 287–8
 - conventions 269–70
 - conversion factors 272–4, 282
 - cost of carry 279–80
 - definition 269
 - delivery baskets 272–82
 - hedging 259–62, 269–70, 280–1, 295
 - invoice amounts 272–4
 - IR swaps 247
 - LIFFE 260–1, 269–82
 - margins 370–82
 - notional coupons 271–6
 - payoff profiles 284–6
 - pricing 274–82
 - settlement prices 270
 - terms 271–4, 275
 - uses 247, 259–62, 269–82
- The Futures Bond Basis* (Choudhry) 273
- G-spread 358–60
- gamma, options prices 292–3
- GCs *see* general collateral trades
- gearing ratio covenant, Eurobonds 170
- general collateral trades (GCs)
 - see also* repos
 - concepts 137–41, 145–6, 322
- General Motors (GM) 126, 301
- geometric mean 47–8
- Germany 41–2
- gilts *see* UK gilts
- 'Ginnie Mae' *see* Government National Mortgage Association
- global capital mobility, inflation-rate expectations 216
- Global Master Repurchase Agreement (GMRA) 322
- global notes 168
- glossary 379–85
- GMAC Mortgage Corporation Loan Trust 238–41
- GMRA *see* Global Master Repurchase Agreement
- 'go long' concepts 313
- Goldman Sachs 192–3
- government bills 4, 110
 - see also* money markets
- government bonds 2–4, 8, 20–1, 27–9, 40–2, 51, 54–5, 64–6, 137–43, 145–6, 189, 204–5, 219–20, 247–8, 339–62
 - see also* bonds; UK gilts; US Treasuries
 - butterfly trades 350–7
 - concepts 2–4, 27–9, 41–2, 51, 54–5, 64–5, 145–6, 339–62
 - coupon spreads 348–50
 - repo collateral 145–6
 - spread trades 340–62
 - trading approaches 339–62
 - yield curves 51, 54–5, 340–62
 - yields 2, 51, 54–5, 209–16, 339–62
- Government National Mortgage Association (GNMA 'Ginnie Mae') 219–20
- governments
 - economic influences 2, 18, 49–52
 - Eurobond markets 164
 - monetary policies 50–1
 - money markets 110–13
 - GP screens, Bloomberg 120
 - the 'Greeks', options 292–3
 - Greenwich Natwest 193
 - grey market, Eurobonds 160, 163–4, 166, 167–8
 - gross basis, concepts 281
 - gross redemption yield
 - see also* yield to maturity
 - concepts 23–30, 353–4
- haircut
 - see also* margins
 - concepts 146–8
- HBOS 138–9

- hedge funds 7
- hedge ratios, concepts 80–2, 281–2
- hedging 7, 65, 79–82, 90, 97–8, 204–5, 245, 259–63, 269–70, 280–1, 295–6, 315–16
 - covered call hedge 295–6
 - derivatives 259–63, 269–70, 280–1, 295–6
 - futures 259–62, 269–70, 280–1, 295
 - IANs 98–100
 - inverse floating-rate notes (inverse floaters) 97–8
 - options 295–6
 - protective put hedge 295–6
 - swaps 259–63
- HELP screen, Bloomberg 238–9
- Hewlett Packard (HP) 85
- historic volatility, concepts 291–2, 371–2
- historical-simulation method, VaR
 - calculations 370–2
- Home Equity 333–7
- Hong Kong 156
- Howard, Adrian 350
- HP *see* Hewlett Packard
- HSBC 116
- humped yield curves 48–51
- hybrid instruments 315–18

- I-spread 358–60
- IANs *see* indexed amortising notes
- IBM 245
- ICMA *see* International Capital Market Association
- IDNs *see* interest differential notes
- illiquid credits 304–5
- implied rates
 - see also* forward interest rates
 - concepts 25, 45–6, 47–51, 53–65
- implied spot rates, concepts 53–65
- implied volatility, concepts 291–2
- in-the-money options 288, 296–7
- index swaps 110
- index-linked bonds *see* inflation-linked bonds
- indexation lags, inflation-linked bonds 205–7
- indexation methods, inflation-linked bonds 207–9
- indexed amortising notes (IANs), concepts 98–100
- inflation rates 49–51, 94–5, 203–16, 341
- inflation-linked bonds
 - Bloomberg screens 204–6
 - break-even inflation rates 215
 - cash flows 209–16
 - concepts 203–16
 - conventional bonds 215–16
 - coupons 203–16
 - duration 208–9
 - index choice 204–5
 - indexation 205–9
 - pricing 211–16
 - taxation 209
 - yields 209–16
- initial margin, concepts 146–8
- institutional investors
 - see also* investors
 - concepts 3–4, 6–8, 110, 164, 197–8
 - types 6–8, 110, 164
- insurance companies, concepts 6–8, 164
- interbank rates 12–14, 90–1, 94–103, 113–15
- interest differential notes (IDNs) 101–4
- interest indexation methods, inflation-linked bonds 207–9
- interest payments
 - Eurobonds 156–7
 - IR swaps 245–64
 - securitisation 227–42
- interest rate factor 11–13, 28–30, 62–5
- interest rates
 - bonds 3–4, 9–18, 25–7, 48–52, 90–104, 213–16
 - concepts 3–4, 9–18, 25–7, 48–52, 72–87, 90–104, 119, 213–16, 244–64
 - conventions 12–14, 32
 - forward interest rates 25, 45–6, 47–51, 52–66
 - FRNs 90–104, 245–52, 257
 - interbank rates 12–14, 90–1, 94–103, 113–15
 - interpolation 14, 204–5
 - LIBOR 91, 94–103, 113–15, 120, 157, 193–4, 198, 245–65, 308–10, 319–26, 358–60
 - market rates 9, 12–14, 25–30, 53, 65–6, 72–87
 - money markets 12–14
 - negative carry 24
 - no-arbitrage laws 58–9, 65–6, 278–82
 - quotes 13–14
 - risk management 244–64
 - spot rates 43–7, 52–66
 - yield curve theories 48–52
 - zero-coupon bonds 25–7, 43–7, 52–66, 253, 258–9
 - zero-coupon yield curves 43–7, 368–9
- interest-day base, money markets 111–13
- interest-rate futures 52, 110, 247, 269
 - see also* futures
- interest-rate options
 - see also* options
 - concepts 283–97
- interest-rate risk 72–87, 104, 245–64, 340, 365–6, 368–9
- interest-rate swaps (IR swaps) 96–7, 110, 244–64, 304, 321, 327, 358–60
 - see also* swaps
 - cancellations 257–8
 - characteristics 246–52
 - concepts 25–6, 51, 61–5, 244–64, 304, 321, 327, 358–60
 - conventions 248–9
 - curves 51
 - definition 245
 - duration 252–3
 - effective dates 249
 - examples 255–7, 261–3
 - legal agreements 248–9
 - market size 245–6
 - parties 245–6

- pricing 25–6, 51, 61–5
- spreads 249–52
- structural issues 255–7
- trade dates 248–9
- uses 244–64, 321, 327, 358–60
- yield curves 249–52
- internal rate of return (IRR)
 - see also* yield to maturity
 - concepts 23–30
- International Capital Market Association (ICMA) 178–9
- International Securities Identification Number (ISIN) 178
- international securities *see* Eurobonds
- International Swap Dealers Association (ISDA) 245, 248, 307, 322
- Internet 369–70
- interpolation, interest rates 14, 204–5
- intrinsic value, option premium 287–8
- inverse floating-rate notes (inverse floaters)
 - concepts 94–8, 193–4
 - coupon determination 94–5
 - duration 96
 - hedging 97–8
 - terms 95–6
 - variations 96
- investment banks 7, 159–64, 192–3, 221
- investment trusts 164
- investment-grade credit ratings 191, 198–201, 225–7, 231–2, 324–6
- investors
 - concepts 3–4, 5–8, 23–30, 40, 49–52, 86–7, 96–104, 110, 164, 189, 192–3, 197–201, 218–20, 364–78
 - convexity values 86–7
 - Eurobonds 159–64
 - IANs 100
 - IDNs 103–4
 - inverse floating-rate notes (inverse floaters) 96–7, 193–4
 - money markets 6–8, 110
 - MTNs 192–3, 262–3
 - risk/reward profiles 40, 49–52, 96, 224, 364–78
 - securitisation 218–20, 224–5
 - structured notes 90–104, 328–30
 - synthetic convertible notes 100–1
 - types 6–8, 110, 192–3
 - voting rights 189
- invoice amounts, futures 272–4
- IR swaps *see* interest-rate swaps
- IRR *see* internal rate of return
- irredeemable bonds *see* perpetual bonds
- ISDA *see* International Swap Dealers Association
- ISIN *see* International Securities Identification Number
- issuers
 - concepts 4–8, 91–2, 97–104, 110–49, 152–3, 159–64, 174–7, 190–4
 - credit ratings 4, 7, 115–16, 124–7, 145, 154, 161–2, 166, 171, 179–80, 191, 195–201, 225–8, 231–3, 237–9, 301, 303, 307, 320–6, 340–1, 360, 376–8
 - securitisation 218–20, 221–4, 234–9
 - types 4, 126–7, 192–3
 - Italy 41–2, 141, 153
 - IYC screen, Bloomberg 41–2
 - Japan 5, 116, 117, 155–6
 - JP Morgan 94, 369, 375–8
 - jump risk 367–8
 - 'junk'-ratings 191, 199–200
 - lambda, options prices 292–3
 - Latin America 250–2
 - LCH *see* London Clearing House
 - lead managers, Eurobond syndicates 159–64, 169
 - legal contracts, repos 136, 146
 - leptokurtosis 289–90, 376
 - letters of credit (LOCs) 126
 - LIBID 114, 321
 - LIBOR *see* London Interbank Offered Rate
 - Libor-in-arrears swaps 254
 - life assurance companies, long-term
 - institutional investors 6–8
 - LIFFE 260–1, 269–82
 - liquidity
 - concepts 3–7, 17, 40, 49–52, 118–20, 127–8, 179–81, 270, 274–5, 300–1, 332–3, 340–1, 364–6, 373–4
 - preference theory 49–50, 340–1
 - premiums links 341
 - risk 364–6, 373–4
 - supply and demand driver 341
 - yield curves 49–50, 340–1
 - listings, Eurobonds 165–6, 175–6, 177
 - local government bonds 4
 - see also* bonds
 - lock-out periods, IANs 99–100
 - lognormal distributions 289–91, 376–7
 - London Clearing House (LCH) 270
 - London Interbank Offered Rate (LIBOR) 91, 94–103, 113–15, 120, 157, 193–4, 198, 245–65, 308–10, 319–26, 358–60
 - concepts 114
 - IR swaps 245–63
 - long bonds 2–3, 79–82, 285–97, 341–62
 - long put strategies, options 294–5
 - long-term institutional investors, concepts 6–8
 - Macaulay's duration *see* duration
 - maintenance limits, margins 148–9
 - maintenance margin, futures 270
 - margin swaps 254
 - margins
 - FRN analysis 91–4
 - futures 370–82
 - maintenance limits 148–9
 - repos 146–9, 270
 - types 146–7, 270
 - Mark-It 301
 - marked-to-market valuations 247
 - market associations 178–9

- market interest rates 9, 12–14, 25–30, 53, 65–6, 72–87
- market makers 7, 23–4, 245, 312–13
- market professionals 6–8
- market risk 364–6, 373–6
- markets
see also primary ...; secondary ...
 parties 3–4, 6–7
- master-trust SPV structures 228, 238
- Matador bonds 155
- maturity value *see* principal
- MBSs *see* mortgage-backed securities
- media, yield levels 2
- medium-term notes (MTNs)
 concepts 190–4, 262–9, 361
 corporate bonds 193–4
 credit ratings 191, 197
 definition 190
 programme 190–1
 shelf registration 191
- merchant banks, CDs 115
- Merrill Lynch 190, 191–3
- mezzanine finance 333–4
- Microsoft 198
- mixed-horizon institutional investors,
 concepts 6–8
- MMCV screens, Bloomberg 131–3
- model risk 366
- modified duration
 concepts 75, 77–87, 282
 critique 83
 definition 75, 78
 negative values 85
- monetary policies 50–1
- money market debt, definition 3, 110
- money markets 3, 6–8, 12–13, 64–5, 91, 109–49
 banker's acceptances 111–13, 121, 123–4
 bills of exchange 110–13, 121
 Bloomberg screens 129–31
 cash instruments 110–49
 CDs 110, 111–13, 115–20
 commercial paper 110–13, 121, 124–9, 190, 197, 365–6
 concepts 3, 6–8, 50–2, 91, 110–49
 credit risk 110, 145
 currencies 111–13, 149
 day-count conventions 111–13, 147, 149
 definitions 3, 110
 derivatives 110
 discount-basis quotes 111–13, 121–49
 FRN similarities 91
 importance 110
 instrument types 110–11
 interest rate conventions 12–14
 interest-day base 111–13
 investors 6–8, 110
 issuers 110–49
 repos 51, 65, 96, 110–11, 131–49, 279–80
 settlement conventions 112–13
 short-term institutional investors 6–8, 50–2
 time deposits 111–15, 118–20
- Treasury bills 110–13, 119, 121–3
 yield-basis quotes 111–20
- Monte Carlo simulation 370–3
- Moody, John 198
- Moody's Investors Service, Inc. 154, 191, 196–201, 231–3, 307, 360, 377–8
- Morgan Stanley 192–3
- mortgage-backed securities (MBSs) 5–6, 98, 218–42, 304, 324–6, 333–7
see also securitisation
 concepts 218–42, 304, 324–6, 333–7
 definition 221
- mortgages 5–6, 98, 218–42, 304, 324–6, 333–7
see also securitisation
- MTNs *see* medium-term notes
- multi-tranching aspects, structured products 328–30
- mutual funds 110
- name recognition, credit risk 197–8
- National Home Loans Corporation 220
- natural logarithm (*e*) 12
- NatWest plc 116, 157
- negative basis, CDS basis 331–3
- negative carry 24, 280
- negative pledges, Eurobonds 171
- net redemption yield
see also yield to maturity
 concepts 25
- New Zealand 207–8, 215–16
- NIM screen, Bloomberg 179–80
- no-arbitrage laws 58–9, 65–6, 278–82, 291
- nominal rate *see* coupon rate
- non-standard swaps 253–8
- normal shapes, yield curves 48–51, 340–6
- notional coupons, futures 271–6
- off-balance sheet instruments (OBS)
see also derivatives
 uses 244, 284, 305
- offering day, Eurobond issues 167–8
- operational risk 364–6
- option-adjusted spreads 359–60
- options
see also call ...; interest-rate ...; put ...
 binomial pricing method 288–9
 Black and Scholes options pricing model 283, 288–93
 concepts 98–9, 184, 188–90, 263, 283–97
 convertible bonds 6, 158–9, 184–8
 credit options 326–7
 definition 283–4
 exercise 284–7
 exotic instruments 296–7, 327, 373–4
 expiry dates 286–7
 flipper bonds 94
 forward-starting options 297
 the 'Greeks' 292–3
 hedging 295–6
 historical background 283, 286
 intrinsic value 287–8
 parties 283–6

- payoff profiles 284–97, 327
 - on physicals 286
 - premiums 284–97
 - pricing 283, 288–97
 - put-call parity 290–2
 - strike price 286–7, 326–7
 - swaptions 98–9, 263
 - terminology 284–7
 - time value 287–8
 - types 283–4, 286–7, 296–7, 326–7
 - usage strategies 293–7
 - warrants 184, 188–90, 285
- originators, securitisation processes 225–7, 234–8
- OTC *see* over-the-counter transactions
- out-of-the-money options 288
- over-the-counter transactions (OTC)
 - credit derivatives 302, 326–7
 - derivatives 110, 244, 269, 326–7
 - Eurobonds 156–7
 - warrants 188–9
- overcollateralisation
 - see also* margins
 - concepts 146–8, 226–30
- overnight interest rates 13–14
- par rates 42–4, 46–7, 52–66
- par value *see* principal
- par yield curves, concepts 42–4, 46–7
- Parmalat 301
- paying agents, Eurobonds 172
- payoff profiles, options 284–97, 327
- pension funds, long-term institutional
 - investors 6–8, 164
- percentage conversion premium, convertible bonds 185–8
- perfect markets 274–5
- permanent global form, Eurobonds 174–7
- perpetual bonds, duration 76
- perpetual FRNs 90–1, 157
- perpetual warrants 188–9
- physical settlement, credit derivatives
 - 311–15, 316–18
- plain vanilla bonds *see* conventional bonds
- pool insurance, securitisation 229–30, 238
- portfolio management
 - butterfly trades 350–7
 - concepts 301, 303–5, 324–6, 328–30, 340, 344–6, 350–7, 375–8
 - convexity gains 354–7
 - credit derivatives 301, 303–5, 324–6, 328–30
 - dynamic adjustments 344–6
- positive carry 279–80
- pre-payment risk 366
- pre-priced offerings, Eurobonds 169
- premiums
 - convertible bonds 185–8
 - credit derivatives 302
 - futures 280
 - liquidity links 341
 - options 284–97
- present value of a basis point (PVBP) 260–3, 368–9
- present values, concepts 8–32, 45, 53, 54–65, 72–87, 257–8, 260–3, 368–9
- price factor method, hedge ratios 282
- prices
 - bonds 4–5, 8, 19–20, 23–32, 72–87, 137–41, 143, 147
 - clean/dirty prices 19–20, 27–8, 30–2, 137–41, 143, 147, 281, 342, 351–7
 - conventions 8, 18–20, 23–4, 30–2
 - duration 72–87
 - market interest rates 72–87
 - quotes 23–4, 30–2
 - volatility 4–5, 86–7, 281–2, 289–97, 321–6, 365–6, 371–2
 - yield relationship 22–3, 73–87
- pricing
 - bonds 8–30, 67–9, 340–1
 - credit derivatives 301, 305
 - Eurobonds 166–8
 - FRAs 61–5, 260
 - futures 274–82
 - inflation-linked bonds 211–16
 - interest-rate swaps 25–6, 51, 61–5
 - options 283, 288–97
 - swaps 258–9
 - traditional approach 18–30, 73–6
 - zero-coupon bonds 21–2
- primary markets, concepts 3–4, 6–7, 42–4
- prime interest rate, US 119
- principal, concepts 3, 4–5, 18–30, 73–6, 204–16, 227–42, 245–64
- programmes, commercial paper 126–7
- promissory notes 124–9
 - see also* commercial paper
- proprietary trading desks, investment banks 7
- prospectuses 197
- protective put hedge 295–6
- PSA/ISMA GRMA standard legal agreement
 - 146–8, 238–42
- public sector borrowing 51
- pure (unbiased) expectations hypothesis, yield curves 48–9
- put options
 - see also* options
 - concepts 6, 284–97, 326–7
 - definition 284, 286
 - protective put hedge 295–6
 - usage strategies 293–7
- put-call parity, options 290–2
- PVBP *see* present value of a basis point
- quanto options 297
- quarterly interest rates 11–13, 28–30, 252
- quasi-coupon periods, concepts 21–2, 56–7
- quoted margins, FRNs 91–4
- quotes
 - interest rates 13–14
 - prices 23–4, 30–2
- ratchet options 297
- RATD screen, Bloomberg 199–201

- RBS 116
- recessions 51
- redemption at par, synthetic convertible notes 100–1
- redemption mechanisms, securitisation 233–4
- redemption value *see* principal
- redemption yield
see also yield to maturity
 concepts 23–30, 40–70, 83–7
- reference entities, credit derivatives 305–37
- reference indexes 90–4, 96–100
- registered securities
 Eurobonds 173, 175–6
 MTNs 190–4
- registrars, Eurobonds 173, 175–6
- regulations
 Basel rules 223, 231
 Eurobonds 174–9
 FSA 177
- reinvestment risk 41–2, 52, 209, 233–4, 258–9, 365–6
- relative value analysis, concepts 40, 41–2, 46, 280, 305, 340–62
- repos 51, 65, 96, 110–11, 131–49, 279–80, 321–6, 341, 345–6
 Bloomberg screens 138–40, 147, 345–6
 collateral 134–49
 concepts 131–49, 279–80, 321–6, 341, 345–6
 definitions 131–4, 136
 examples 137–41
 illustration 135–6
 legal contracts 136, 146
 margins 146–9, 270
 market participants 131–6
 settlement dates 135–6
 terms 137–41
 uses 133–5, 279–80
- residential mortgage-backed securities (RMBSs), concepts 333–7
- restructured debt, credit events 307
- returns
see also yield ...
 IRR 23–30
 risk 18, 40, 49–52, 90–104, 224, 341
- Reuters 249
- reverse FRNs 94–8, 193–4
- reverse repos
see also repos
 Bloomberg screens 138–40, 147, 345–6
 concepts 136–49, 345–6
 definition 136
- revolving SPV structures 228
- rho, options prices 292–3
- risk 8, 18, 40, 49–52, 54–65, 69, 90–104, 121–3, 196–201, 220–64, 340–6, 364–78
see also individual risk types
 aspects 364–78
 basis risk 65, 280–1, 365–6
 bonds 196–201, 340
 characteristics 364–6
 credit risk 8, 41–2, 90, 110, 145, 196–201, 224–7, 228–30, 364–6, 374–8
 diversification 218–19, 224–5
 duration 72–87
 exposure 303–5, 328–37, 364–78
 interest-rate risk 72–87, 104, 245–64, 340, 365–6, 368–9
 measurement tools 364–78
 premiums 8, 49–52, 341
 profiles 40, 49–52, 96, 224, 364–78
 returns 18, 40, 49–52, 90–104, 224, 341
 spread trades 341–6
 types 364–78
 Value-at-Risk [VaR] 364, 367, 368–78
- risk management
 concepts 6–8, 364–78
 derivatives 244–98, 300–37
 function 367
 historical background 366–7
 interest rates 244–64
 securitisation uses 220–1, 224
 time horizon 6–8, 377–8
- risk-free rates 8, 54–65, 69, 121–3, 196, 289–97, 340–1, 350–7
- risk-neutral trades 340, 350–7
- RiskMetrics 369–70, 375
- RMBSs *see* residential mortgage-backed securities
- RRRA screens, Bloomberg 138–40, 147, 345–6
- Rule 415, SEC 191
- running yield *see* current yield
- Russia 250–2
- S&P *see* Standard & Poor's Corporation
- Salomon Smith Barney 193
- Samurai bonds 155
- SEC *see* Securities and Exchange Commission
- secondary markets, concepts 2–3, 6–8, 19–20, 42–3, 115, 162–3, 177–82, 191–2, 246–64, 327–37
- Securities and Exchange Commission (SEC) 125–6, 191
- securitisation
see also asset-backed ...; mortgage-backed ...
 average life 219–20, 233–4
 balance-sheet capital management 222–4, 230–1
 Bloomberg screens 238–41
 case study 234–8
 cash flows 233–42
 cash waterfalls 229–30
 cash/synthetic contrasts 220–1
 concepts 218–42, 304
 credit enhancement 218–19, 225–7, 228–33, 237–9
 critique 218–19, 221–4
 definition 218, 220–1
 examples 234–42
 funding uses 222–3
 historical background 218–20
 investors 218–20, 224–5

- issuers 218–20, 221–4, 234–9
- market size 222, 304
- mechanics 225–7
- note tranching 228–30, 234–9
- originators 225–7, 234–8
- participants 225–7, 234–9
- processes 225–42
- redemption mechanisms 233–4
- risk management 220–1, 224
- SPVs 220–1, 223–42
- true sales 225–7
- uses 218–20, 221–4
- yields 233–4
- securitised bonds 217–42
 - see also* asset-backed securities
- segmentation hypothesis, yield curves 50–2
- sell/buy-backs
 - see also* repos
 - concepts 131, 141–5
- semiannualized interest rates 11–20, 24–30,
84–5, 93–4, 101, 157, 252
- settlement conventions 19–20, 112–13,
181–2, 306, 311–12
- settlement dates, concepts 19–20, 135–6
- settlement prices, futures 270
- shapes, yield curves 48–51, 54, 280, 321,
340–6
- shelf registration 191
- short call strategies, options 293–5
- short-term institutional investors, concepts
6–8, 50–2
- short-term paper 3, 51, 79–82, 124–9
 - see also* commercial paper
- simple interest, concepts 9–18
- simple margin method, FRN analysis 91–4
- Singapore 112–13, 157
- sovereign risk 366
- special purpose vehicles (SPVs)
 - see also* securitisation
 - CLNs 316–18
 - concepts 220–1, 223–42, 316–18
 - structures 227–8, 235–9
 - true sales 225–7
- specialised investment vehicles 95–6
- specific repos
 - see also* repos
 - concepts 137–41, 145–6, 322, 341, 345–6
- speculation, derivatives 244, 269, 280–1
- speculative-grade ratings 199–201
- 'spot next' interest rates 13–14
- spot rates
 - see also* zero-coupon ...
 - concepts 43–7, 52–66
 - forward interest rates 47–8, 52–66
 - implied spot rates 53–65
- spot settlement, money markets 112
- spot yield curves *see* zero-coupon yield curves
- spot yields, concepts 43–7, 52–66
- spread trades
 - concepts 340–62
 - identification 347–8
 - risk weightings 341–6
- spreadsheets 60–1, 261, 289–91
- SPVs *see* special purpose vehicles
- stabilisation period, Eurobond issues 168, 169
- Standard & Poor's Corporation (S&P) 154, 191,
196–201, 231–3, 307, 360
- step-ups
 - convertible bonds 184–8
 - recovery FRNs 93–4
 - securitisation 229–30
 - swaps 253–5
- stock collateral
 - see also* general collateral trades
 - concepts 145–6
- stock loans
 - see also* repos
 - concepts 111, 131–3, 321
- stock-driven repo transactions 133, 145
 - see also* repos
- straight line interpolation, interest rates 14,
204–5
- strike price, options 286–7, 326–7
- strips *see* zero-coupon bonds
- structured credit products 300–1, 328–30
- structured notes
 - concepts 90–104, 328–30
 - uses 90, 328–30
- structured products
 - concepts 90–104, 244, 296–7, 328–30
 - multi-tranching aspects 328–30
- Sumitomo 364
- supply and demand
 - credit derivatives 331–7
 - liquidity driver 341
- supranational bodies, concepts 4–5
- swaps 25–6, 51, 61–5, 96–100, 102–3, 110,
193–4, 244–64, 284
 - see also* interest-rate swaps
 - Bloomberg screens 266–9
 - cancellations 257–8
 - characteristics 246–52
 - concepts 25–6, 51, 61–5, 244–64, 284
 - cross-currency swaps 97–8, 245, 264–9
 - duration 252–3
 - examples 255–7, 261–9
 - hedging 259–63
 - market size 245–6
 - non-standard swaps 253–8
 - pricing 258–9
 - spreads 249–52
 - structural issues 255–7
 - types 245, 253–5, 258–9, 263–9
 - uses 244–64
 - valuing term 259
 - yield curves 249–52, 267–9, 358–60
- swaptions 98–9, 263
- SWCV screen, Bloomberg 267–9
- Sweden 208
- Swiss Bank 364
- SWPM screens, Bloomberg 266–9
- syndicates, Eurobonds 159–64, 168
- synthetic convertible notes, concepts 100–1
- synthetic repos 321–6
- synthetic securitisation, concepts 220–1

- T* + 1 settlement 19–20, 181–2
- T* + 3 settlement 181–2
- T-bills *see* Treasury bills
- talon features, bearer securities 176
- taxation, inflation-linked bonds 209
- Taylor expansion 77–8, 84–5
- Teasdale, Anuk 217
- technical defaults, credit derivatives 302–3, 307
- temporary global form, Eurobonds 174–9
- tenor, CDs 117
- term structure of interest rates *see* zero-coupon yield curves term to maturity, concepts 3, 4–5, 7, 18–22, 26–51, 73–6, 340–6
- terminal values, concepts 9–18
- Theory of Interest* (Fisher) 213
- theta, options prices 292–3
- third-party acceptances 123
- time deposits 111–15, 118–20
 - see also* money markets
- time horizon, risk management 6–8, 377–8
- time to maturity, options pricing 289–97
- time value, option premium 287–8
- time value of money, concepts 8–18
- TIPS *see* Treasury inflation-protected securities
- 'tom next' interest rates 13–14, 118–19
- total return swaps (TRSs)
 - see also* repos
 - concepts 131, 300, 318–26, 327–37
 - definition 318–19
 - legal agreements 322
 - synthetic repos 321–6
 - uses 321–6, 327–37
- trade bills *see* banker's acceptances
- trade dates, IR swaps 248–9
- trading approaches, government bonds 339–62
- transaction risk 365–6
- translation risk 365–6
- transparency benefits, credit derivatives 300–1
- TRAX 179
- Treasury bills (T-bills) 110–13, 119, 121–3, 127–8, 317–18
 - see also* money markets
 - concepts 121–3
- treasury desks 6
- Treasury inflation-protected securities (TIPS) 204–5, 210–16
- TRSs *see* total return swaps
- true sales, securitisation processes 225–7
- trust services, Eurobonds 171–4
- trustees, Eurobonds 173–4, 176–7
- Tullett & Tokyo 118
- Turkey 208
- UBS 194, 364
- UK 5, 8, 27, 40–2, 54, 64–6, 111–13, 116, 121–4, 138–43, 155–6, 164, 190, 193, 207–8, 215–16, 219–20, 250–2
 - commercial paper 125–6
 - inflation targets 215–16
 - inflation-linked bonds 207–8, 215–16
 - securitisation 219–20, 228
 - T-bills 121–3
- UK gilts 8, 27, 40–2, 54, 64–6, 137–43, 189, 247–8, 275–82, 284–97, 330, 340–62
 - see also* government bonds
- trading approaches 340–62
- warrants 189
- underlying assets
 - CDs 311–15
 - options 283–97
- underwriters, Eurobonds 152, 155, 159–66
- unfunded credit derivatives
 - see also* credit default swaps
 - concepts 301, 306
- upgrades, credit ratings 199, 376–8
- upward-sloping (positive/rising) yield curves 48–51, 94–9, 280, 321
- US 5, 18–19, 41–2, 51, 94, 98, 102–4, 116, 119, 121–9, 152–4, 164, 174–5, 191–3, 196, 204–16, 261–9
 - commercial paper 125–9
 - Consumer Price Index (CPI) 204
 - dollar market rates 119–20, 156, 261–9
 - inflation-linked bonds 204–16
 - prime interest rate 119
 - securitisation 218–19, 228
 - T-bills 110–13, 119, 121–3
- US Treasuries 8, 20–1, 27, 28–9, 41–2, 54, 204–5, 219–20, 271–4, 297, 317–18, 348–50, 360–2
 - see also* government bonds
- value dates *see* settlement dates
- Value-at-Risk (VaR)
 - calculation methods 370–3
 - concepts 364, 367, 368–78
 - credit risk 374–8
 - critique 373–4
 - definition 369–70
- variable rate notes, concepts 90–1
- variance/covariance method, VaR calculations 370–3
- variation margin 142, 146, 148–9, 270
- volatility
 - concepts 289–97, 321–6, 365–6, 371–2
 - options pricing 289–97
 - prices 4–5, 86–7, 281–2, 289–97, 321–6, 365–6, 371–2
 - risk 365–6
 - types 290–1
- voting rights 189
- WALG screen, Bloomberg 238, 241
- warrants 184, 188–90, 285
- WCDS screen, Bloomberg 314–15
- Windas, Tom 53
- withholding tax, concepts 25
- World Bank 4, 181, 192, 245
- writers, options 284–97

- YA screens, Bloomberg 29, 205–6
 Yankee bonds 155
 YCRV screens, Bloomberg 360–2
 yield beta, concepts 80–2
 yield curves
 Bloomberg screens 360–2
 bond classes 40
 breakeven principle 45–6, 62–5
 butterfly trades 350–7
 concepts 40–70, 249–52, 260–3, 280, 340–62, 368–9
 construction 40–7, 67–9
 economic influences 50–2
 forward (forward-forward) yield curves 47–51, 65–6
 IR swaps 249–52
 liquidity preference theory 49–50, 340–1
 par yield curves 42–4, 46–7
 pure (unbiased) expectations hypothesis 48–9
 segmentation hypothesis 50–2
 shapes 48–51, 54, 280, 321, 340–7
 swaps 249–52, 267–9, 358–60
 theories 48–51
 types 40–51
 yield to maturity yield curves 40–2
 zero-coupon (spot) yield curves 43–7, 67–9
 yield spreads 41–2, 340–62
 see also spread trades
 yield to maturity (YTM)
 see also internal rate of return; returns
 compound interest frequencies 28–30, 62–5
 concepts 8–18, 23–30, 40–70, 83–7, 93–4, 353–4
 coupons 8–18, 23–30, 42–4
 critique 25, 29–30, 41–2, 52, 54–5
 definition 23–4
 FRNs 93–4
 yield curves 40–70
 yield-basis quotes, money markets 111–20
 yields
 see also discount factors; returns
 basis points 79–82, 249–52
 BPV 79–82, 260–3, 282, 342–6, 351–7, 368–9
 butterfly trades 350–7
 CDs 115–18
 commercial paper 127–9
 concepts 2, 4, 18–30, 40–70, 73–87, 209–16, 339–62
 determination 340–1
 duration 75, 77–87
 economic influences 2, 18, 50–2
 government bonds 2, 51, 54–5, 209–16, 339–62
 government long bonds 2
 inflation-linked bonds 209–16
 media reports 2
 modified duration 75, 77–87
 price relationship 22–3, 73–87
 securitisation 233–4
 spread trades 340–62
 term to maturity 4, 26–51, 340–6
 traditional approach 18–30, 73–6
 Treasury bills (T-bills) 121–3
 YT screen, Bloomberg 238, 240
 YTM *see* yield to maturity

 Z-spreads 332, 359–60
 zero-cost credit exposure, credit switches 329–30
 zero-coupon bonds
 bootstrapping 54–65
 concepts 5, 21–3, 25–7, 43–7, 52–66, 77, 157–8, 208–9, 253, 258–9
 convexity 84
 duration 77
 Eurobond markets 157–8
 implied rates 53–65
 interest rates 25–7, 43–7, 52–66, 253, 258–9
 pricing 21–2
 true interest rates 25–7, 52
 yield curves 43–7
 zero-coupon indexation methods, inflation-linked bonds 208–9
 zero-coupon notes 100–1
 zero-coupon swaps 253, 258–9
 zero-coupon yield curves
 arithmetic 46–7
 concepts 43–7, 54–65, 67–9, 368–9
 mathematics 67–9
 uses 46, 54–65

Other titles by the author

.....

Corporate Bond Markets: Instruments and Applications,
John Wiley & Sons, 2005.

The Money Markets Handbook: A Practitioner's Guide,
John Wiley & Sons, 2005.

*Structured Credit Products: Credit Derivatives and Synthetic
Securitisation*, John Wiley & Sons, 2004.

Advanced Fixed Income Analysis, Elsevier, 2004.

Handbook of European Fixed Income Securities (editor, with
Frank Fabozzi), John Wiley & Sons, 2004.

Analysing and Interpreting the Yield Curve, John Wiley & Sons,
2004.

The Gilt-edged Market, Butterworth-Heinemann, 2003.

Derivative Instruments (with Brian Eales), Butterworth-
Heinemann, 2003.

The Repo Handbook, Butterworth Heinemann 2002.

Capital Market Instruments: Analysis and Valuation, FT Prentice
Hall, 2001.

Bond Market Securities, FT Prentice Hall, 2001.

The Bond and Money Markets: Strategy, Trading, Analysis,
Butterworth-Heinemann, 2001.