



# Agricultural Derivatives: Futures, Options & Swaps



**Course Date:** TBD



**Course Length:**

2 days

8:30 a.m. – 4:30 p.m. EST

each day (includes 60 min. lunch)



**In-Person Onsite**



**Instructor/ Host:**

Richard Weissman

Nour Zekhmi

## Questions?

For more information or to register,  
contact:

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## WHAT YOU WILL LEARN

Taught by Mr. Richard Weissman, a world-renowned author and agricultural trader, this two-day live course is filled with techniques, analysis and insights that only his 30 plus years of trading experience can bring. This course will provide you with a solid foundation in agricultural trading as you explore all the instruments, tools and techniques available to ag traders today. We'll explore the nuances and idiosyncrasies of these markets, understand the risks and rewards across various agricultural sectors and develop a macro view designed to improve your performance and help you develop a robust trading program.

### Topics covered include:

- The basics of agricultural trading
- Ag trading vocabulary
- The what, why, how, and who of agricultural trading
- What types of activities are entailed in the generic job title, "ag trader"?
- How traders trade agriculture – trading instruments and how they are used
- The history of agricultural trading markets
- What moves ag prices
- What are the most popular trades in today's agricultural markets and why?
- The structure of today's ag markets
- The role of CME Group
- What are HTAs and when to use them
- How to trade the basis
- Real-time trading examples for all agricultural products using various technical tools and techniques
- How various tools and techniques work from the perspective of both professional speculators and commercial hedgers in agricultural markets
- The ins and outs of technical and fundamental analysis
- Real-time trading examples for various agricultural products

# Course Syllabus – Day One

## Morning Session

### Session 1: Why derivatives are traded

This introductory session will help attendees understand why agricultural derivatives are so popular among both commercial hedgers and speculators. We'll provide you with an overview of the most widely used tools for managing risk, monitoring performance, and maximizing profit in today's agricultural commodities markets.

### Session 2: An introduction to futures

A historical overview of the development and characteristics of futures markets, price discovery, and general terminology. This session explains why futures are the gold standard among exchange-traded derivatives.

### Session 3: CME Group – Where the world trades agricultural derivatives

We'll cover how and why CME Group provides a global, liquid market to trade and manage price as well as margin risk for all agricultural commodities. You'll understand how the exchange works, who trades on CME Group, contract specifications, back office and clearing operations.

### Session 4: How to use CME Group

Learn how to establish a CME Group futures account, choose a futures commissions merchant, understand commissions and fees. We will explore how performance on a CME Group futures contract is guaranteed as well as the importance of the daily mark to market.

## Afternoon Session

### Session 1: Trading and types of orders

With the help of a real-time futures trading simulation, this session will teach you the mechanics of trading, including various types of orders used in futures and options. You'll also learn common trading terminology.

### Session 2: Futures spreads

Why are spreads so essential to commercial hedgers in agriculture? What is the carry trade? How do various spreads relate to basis risk? This session answers all these questions and provides a thorough examination of popular agricultural spreads such as bull and bear spreads, old crop/new crop spreads, locational spreads, the crush spread and the cattle crush.

### Session 3: Agricultural swaps

Discover why swaps are popular among commercial hedgers in agriculture. This session examines similarities to the futures and options markets, as well as how payouts in swaps can help manage agricultural market risk.

### Session 4: Managing basis (correlation) risk

In this session, we will examine cash grain basis and how commercial hedgers trade basis in agricultural markets. Attendees will see various historical examples of outright physical market risks as well as how basis prices move over time. Finally, using historical outright and basis charts you will make trading decisions on the future trend of the basis for multiple elevator locations.

# Course Syllabus – Day Two

## Morning Session

### Session 1: Options basics

This session explores why options are used by commercial hedgers in agriculture. Throughout the session we will dispel some of the most common myths in derivatives trading. Despite their complexity, we'll show how easy it is to incorporate options into your trading and risk management portfolio. Attendees will learn about the basic inputs for pricing options. We'll also cover basic options terminology including calls, puts, holders vs. writers, the difference between in-the-money, at-the-money, and out-of-the-money options.

### Session 2: Options basics – trading simulation

Using actual price history, attendees will make speculative options trading decisions. By the end of this simulation, you'll understand the difference between calls, puts, being a writer vs. being a holder, in-the-money, at-the-money and out-of-the-money, as well as how volatility impacts trading decisions in options.

### Session 3: Case Study – Hedging with CME Group futures

Our case study compares spot Central City, Iowa mark to market vs. soybean futures for a farmer seeking to hedge new crop 2020 production with CME Group soybean futures from June-August, 2020. This session compares the economics of hedging with CME Group vs. Central City spot pricing and highlights the basis risk entailed in this hedge.

### Session 4: Option pricing models

This session looks at the various models for calculating theoretical option premiums and implied volatility of outright option positions, as well as option spreads. We will discuss the inputs used in calculating theoretical premiums, including the three most widely-used models: Black-Scholes, Cox, Ross-Rubenstein, and Monte Carlo. Learn the strengths and weaknesses of each type of model and how traders compensate for these weaknesses.

## Afternoon Session

### Session 1: The Greeks

This session explores the impact of option delta, gamma, vega, and theta as the underlying asset moves over time. How does each impact price exposure, time decay (options are a depreciating asset), and volatility? We'll examine option hedging techniques, such as delta hedging and delta neutral position management, from both speculative and commercial hedging viewpoints.

### Session 2: Volatility

Take part in an in-depth examination of one of the most essential aspects of optionality risk and pricing — volatility. See how it is measured for the underlying commodity as well as the implied volatility of options. Learn how traders use technical analysis to help forecast future volatility trends and review appropriate trading strategies based on this information. Finally, we will examine volatility backwardation and skews, and how they help indicate the most appropriate strike prices and expiration dates for trading.

### Session 3: Directional option spread strategies

This session provides a detailed examination of various directional spread strategies, such as collars, vertical debit spreads and backspreads. We will emphasize matching directional spread strategies with the hedger's directional and volatility forecasts.

### Session 4: Directional option spread trading simulation

In this trading simulation attendees will trade collars and vertical debits spreads based on their directional and volatility views.

### Session 5: Putting it all together

In this final session, we'll develop a rule-based active hedge strategy using various tools and techniques examined throughout the two-day course including futures, options and option spreads from the perspective of both the agricultural commodities producer and consumer.

## MEET YOUR INSTRUCTOR

Mr. Richard Weissman is one of the world's foremost authorities and thought leaders in the fields of derivatives, risk management and technical analysis. He is the author of two books: *Mechanical Trading Systems: Pairing Trader Psychology with Technical Analysis* (Wiley, 2004) and *Trade Like a Casino: Find Your Edge, Manage Risk and Win Like the House* (Wiley, 2011) which was a finalist for the 2012 Technical Analyst Book of the Year Award.

Richard has more than 30 years of experience as a derivatives trader and has provided training and consultation services to traders and risk managers at investment banks, hedge funds, energy and agricultural companies for more than 20 years. He has helped train staff from virtually every major firm that uses derivatives including Morgan Stanley, Citicorp, Exxon-Mobil, Shell, Exelon, Cargill, CFTC, EIA, Platts, Intercontinental Exchange and CME Group. He has been the featured speaker at leading industry conferences throughout the world.

Richard provides state-of-the-art training and consulting solutions for traders, risk managers and professionals supporting traders and risk managers. Although his primary focus continues to be serving the needs of the energy and agriculture industries, many of the courses and risk management solutions he provides are applicable to all asset classes including foreign exchange, interest rates, equities, metals and softs.



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