

DIRECTED RISK RESEARCH PROBLEM STATEMENT

Risk Theme	Market Risk	Problem Nr.	PS15014		
Client Name	Emlyn Flynt	Client Org.	Peregrine		
Designation	Peregrine Securities				
E-mail	EmlynF@peregrine.co.za	Tel (w)	011-7227556	Mobile	

PROJECT TITLE: Efficient, practical methods for pricing and risk-managing derivatives in dynamic markets.

PROJECT GOAL

What is an efficient, practical method for pricing and risk-managing derivatives – and portfolios containing derivatives – in dynamic markets?

HIGH LEVEL DESCRIPTION OF PROBLEM

Derivative securities are typically used for hedging and structured products – the pricing and hedging of these derivatives have been the topic of intense investigation in the literature. Typical questions that arise pertain to model inputs such as the volatility surface to be used or covariance and correlation estimates. These inputs will also have a significant effect on the hedging of said derivatives.

PROJECT OBJECTIVES

The objectives of this project are to determine efficient pricing and hedging practices for derivative securities across markets.

OUTPUTS REQUIRED

Papers in the academic financial literature

STRATEGIC VALUE TO DIRECTED RISK RESEARCH

This research will contribute conceptually and materially towards competency in the financial services industry in South Africa.