



LOYOLA COLLEGE [AUTONOMOUS]

College of Excellence

CHENNAI-600034

DEPARTMENT OF B.COM. [HONOURS]

Guest lecture on
Derivatives in emerging markets



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20th
Sept'24

11.20 - 12.30
AM PM

VENUE : CEL 2

Organising Committee

Dr. Reena F
Co-ordinator

Dr. R. Leema Rose
Asst. Professor

Dr. Jerusha Irene D
Asst. Professor

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Asst. Professor

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI - 34

DEPARTMENT OF B. COM(HONOURS)

Guest Lecture Report on Derivatives in Emerging Markets

On 20th September 2024, the Department of B.Com (Honours) College hosted a guest lecture on "**Derivatives in Emerging Markets**" for second-year students in the subject of Forex Management. The lecture aimed to provide a detailed exploration of vital derivative instruments such as options, futures, and bonds, along with their practical applications in financial markets. The lecture highlighted how derivatives are utilized for hedging, speculation, and risk management, offering valuable insights into their role in financial strategies. The session effectively bridged theoretical concepts with practical examples, ensuring students understood the workings of the derivatives market.

The speaker began by discussing **options**, a type of derivative that grants the buyer the right to execute a contract, but not the obligation, while obligating the seller to fulfil the contract if exercised. Key terms such as **exercise price** (strike price) and **maturity date** were introduced, helping students grasp the fundamentals of options trading. Using a graph of **Nifty at 2220**, the lecturer demonstrated the potential profit and loss for both buyers and sellers, emphasizing that sellers benefit from price drops, while buyers incur losses in such situations.

The lecture then moved on to **bonds**, covering essential characteristics like **coupon** (periodic interest payments), **issuer** (the entity issuing the bond), **maturity** (when the bond principal is repaid), and **yield** (the return on the bond). The speaker emphasized the inverse relationship

between bond prices and yields and the direct correlation between interest rates and yields, helping students understand the interconnectedness of bond market dynamics and interest rate movements.



Finally, the lecturer discussed **futures contracts**, explaining them as agreements to settle a transaction at a predetermined price on a future date. Key terminologies such as **long**, **short**, **lot size**, **spot price**, **futures price**, and **expiry date** were clarified. The concept of **margin** and **mark-to-market (MTM)** adjustments for daily gains and losses was also explained.

The session concluded with a discussion on **foreign exchange (forex) markets**, covering exchange rate regimes, cross quotes, and the roles of central and commercial banks. Additionally, different types of exposure in derivative trading—transaction, translation, and economic—were highlighted.

The guest lecture provided a comprehensive understanding of derivatives and blending theory with real-world applications. The session enriched students' knowledge of this crucial financial instrument and its role in managing risk and enhancing profitability in modern financial markets.

