Masterclass in Commodity Trading & Hedging – DRAFT SYLLABUS

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COURSE OVERVIEW:

The Masterclass in Commodity Trading & Hedging will explore, on a basic, practical level, what it is to be an institutional commodity trader participating the global market at a hedger, bank, merchant or hedge fund. The class will progress step by step through the process traders employ to distill information into a perspective on the future of price, selecting the optimal means of implementation, then developing a trading plan and managing the position. The course will culminate in a two-class case study where the students will develop hedging strategies for an EV battery production facility with significant commodity input risks.

LEARNING OBJECTIVES:

At the conclusion of the course, the student should be able to:

1. Understand how different entities transactionally interact within a market.
2. Develop a view of the future of price by analyzing fundamental information and incorporating the volatility & risk characteristics of the market.
3. Evaluate a set of strategic alternatives for expressing their view on the future of price.
4. Develop a trading plan for executing and managing a position.

COURSE FORMAT:

The course will consist of a series of eight classes, each approximately 75-90 minutes in length. The classes will be presented live at 2PM ET on the following dates:

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<th>Class</th>
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<tr>
<td>Class 1</td>
<td>Wednesday, Sep 22\textsuperscript{nd}</td>
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<td>Class 2</td>
<td>Friday, Sep 24\textsuperscript{th}</td>
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<td>Class 3</td>
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<td>Class 4</td>
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<td>Class 8</td>
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Each lecture will be recorded and be available on Canvas.
REQUIRED TEXTBOOK & HBR CASE:


Available from Amazon: https://www.amazon.com/dp/0997629517

by John R. Wells and Benjamin Weinstock

Available from HBR Website: https://store.hbr.org/product/rechargeable-batteries-2017-gigafactory-wars-in-the-offing/720371

KNOWLEDGE SELF-ASSESSMENT QUIZZES:

There will be knowledge self-assessment quizzes that serve as a check on retention & comprehension of the material from the first six classes. The quizzes will be untimed and the student will be able to re-take them as many times as necessary to complete the questions.

GROUP PROJECT – EVCO BATTERY CASE STUDY:

The class will participate in a group project, working together in teams of three to analyze a case study and associated data sets to develop a view and make hedging decisions around the commodity inputs of a battery manufacturing facility owned by an EV company.

GRADING POLICY:

The Masterclass in Commodity Trading & Hedging will be graded on a pass/fail basis. To achieve a passing grade a student will be required to complete the six self-assessment quizzes and participate in the group case study project. The faculty understand that the majority of the students will be employed in the finance industry, and that inflexible work deadlines and important life commitments can take priority. If a student needs to re-assess their ongoing participation in the class they should contact: Michele Cooper at: michele.cooper@ucdenver.edu or 303-315-8066.

COURSE OUTLINE:

CLASS 1 – INTRODUCTION & UNDERSTANDING MARKETS
Reading: Introduction, CH1-2 Trader Construction Kit
Topics: How to identify and categorize the various types of firms present in a market, understand their motivations and the types of business activities they undertake. Describes the transactional ecology, where some entities are seeking to acquire risk for a profit while others seek to shed risk for a fee.

CLASS 2 - FUNDAMENTAL ANALYSIS
Reading: CH3 Trader Construction Kit
TCK Appendix B, pages 558-561& 571-574 on cleaning data.
Topics: Explore how analysts collect data, process it, and turn it into actionable information. How traders work with subject matter experts to develop a consensus of market opinion which, when contrasted with internal projections, leads to a perception that prices are relatively too high or too low.

CLASS 3 - UNDERSTANDING VOLATILITY & RISK
Reading: CH5-6 Trader Construction Kit
Topics: Traders must learn to observe and categorize the real-time fluctuations in prices and develop an understanding of how the characteristics affect liquidity and participation by different types of entities present in the market. Trader's must learn how the market volatility combines with the firm’s positions to translate into risk. Traders must understand how to measure risk both mathematically and experientially to accurately assess the potential P&L impacts of both normal and extreme market fluctuations.

CLASS 4 - DEVELOPING A VIEW OF THE MARKET
Reading: CH7 Trader Construction Kit
Topics: How to combine fundamental information, a technical analysis, an assessment of market volatility, and risk implications into a view of the market. Developing a view of the market is the primary task of any trader.

CLASS 5 - CHOOSING AN IMPLEMENTATION STRATEGY
CH12 Trader Construction Kit
Topics: How to take candidate directional, spread, option, and quantitative trading strategies and evaluate the best means of implementing the trader’s market view of the market. Once the trader has decided on their preferred strategy, they will create a trading plan that describes its implementation.

CLASS 6 – EXECUTION & POSITION MANAGEMENT
Reading: CH13-14 Trader Construction Kit
Topics: After arriving at the optimal strategy for the current conditions and drafting a trading plan, the trader must accumulate the desired position. To efficiently operate in the market the trader must develop and maintain solid trading mechanics. Once the position is secured, the trader must continue to monitor the market and re-assess the viability of their view on the future of prices in light of a continue stream of new information, standing ready to take action to optimize the profitability of the portfolio.

CLASSES 7 & 8 - PRICING & HEDGING STRUCTURED TRANSACTIONS
Reading: CH15 Trader Construction Kit
Topics: The class will participate in a group project, working together in teams of three to analyze a case study and associated data sets to develop a view and make hedging decisions around the commodity inputs of a battery manufacturing facility owned by an EV company. Class 7 will work through the case study, and the requirements for completion. In Class 8 each group's view of the market and hedging plan will be evaluated relative to a set of future price scenarios.