

Global Markets

Flow Strategy & Solutions

HOW DO STRUCTURED PRODUCTS INFLUENCE VOLATILITY

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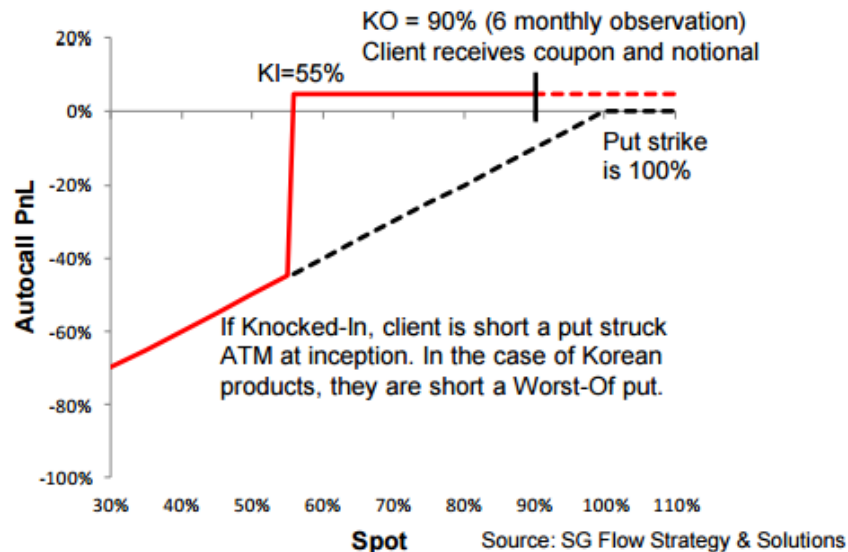
Financial Engineering – Global Markets

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STRUCTURED PRODUCT S BASICS

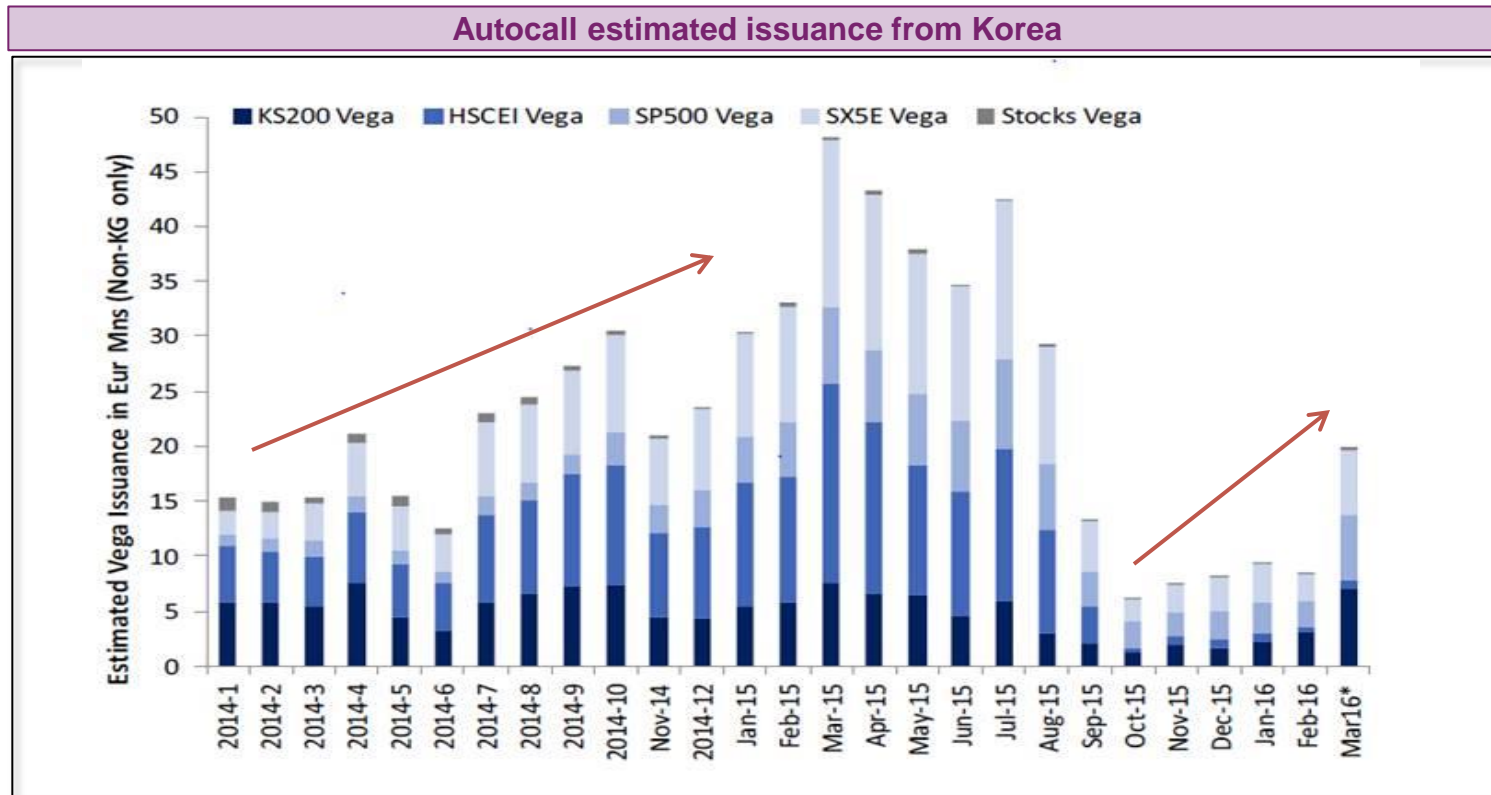
Autocall payoff diagram



Typical Autocall Product Dynamics

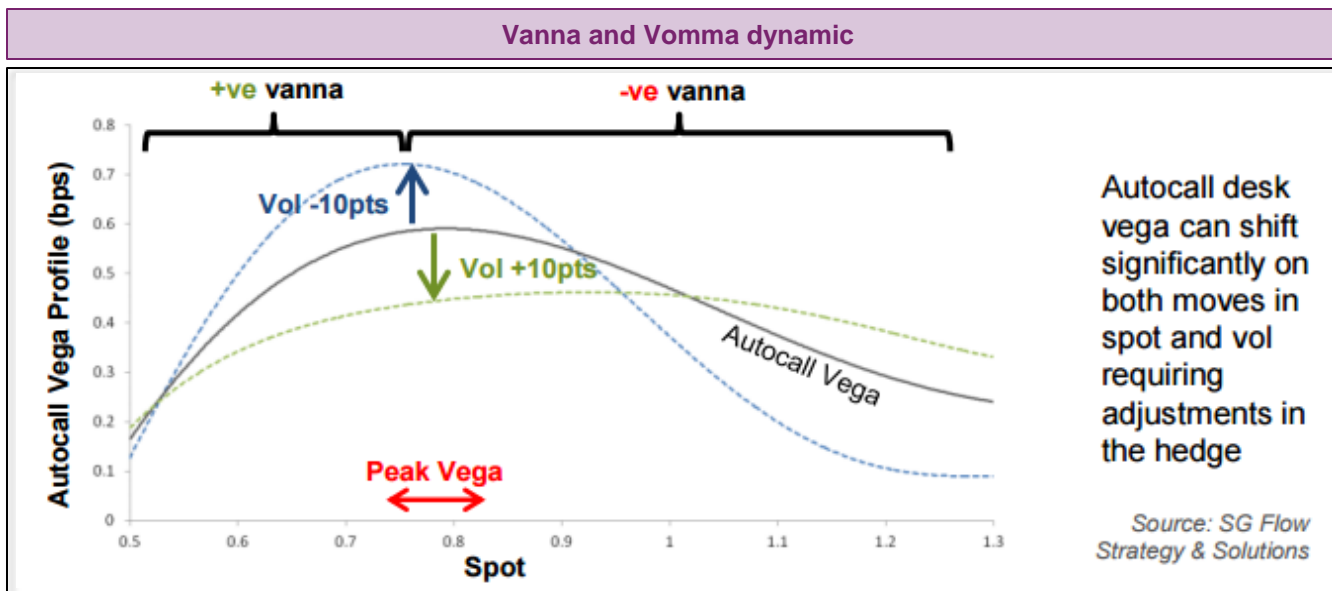
- ✓ **There is a continuous Knock-In barrier** for the put and a periodic (usually 6 months) Knock-out between 80% and 95% where the investor gets his coupon and notional back.
- ✓ **The low Knock-out levels on Korean Autocalls** means the product is normally quite likely to get knocked out on its first observation which keeps the duration low and makes it easier for desks to manage.
- ✓ **But if any of the indices fall materially lower, duration increases** quickly and magnifies exposure to the various parameter

STRUCTURED PRODUCTS ISSUANCE FROM KOREA

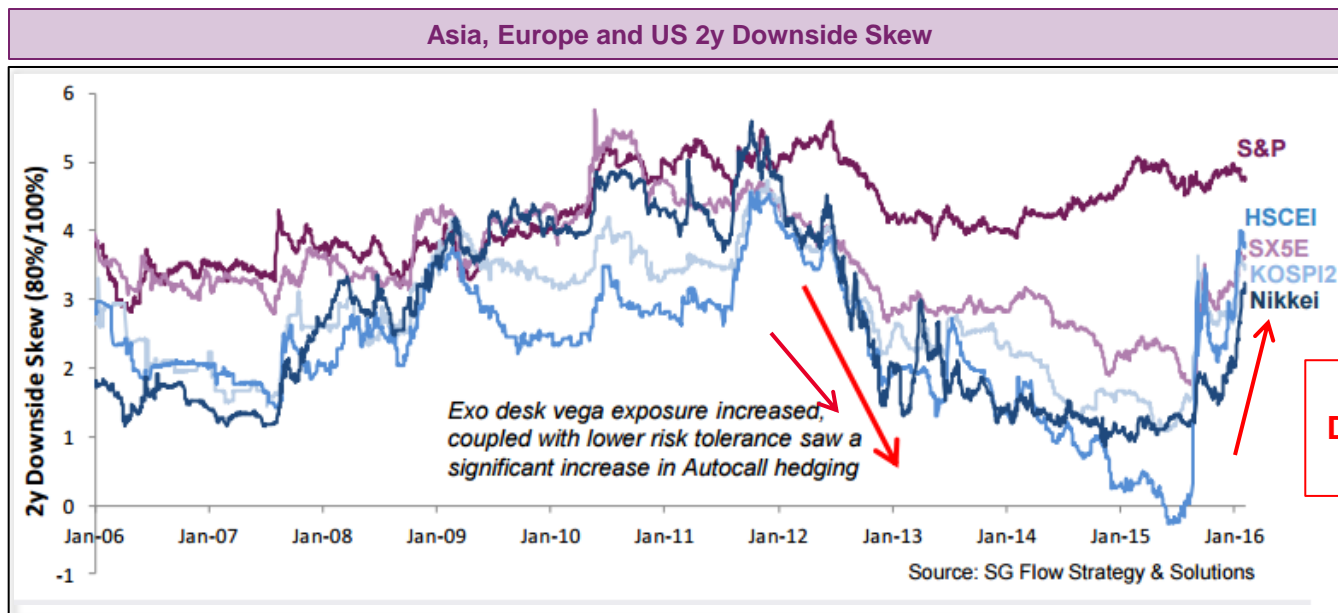


BUILDING TEAM SPIRIT TOGETHER

VEGA DYNAMICS: DVEGA/DSPOT & DVEGA/DVOL



CASE STUDY: EMPIRICAL EVIDENCE OF THE IMPACT ON VOL PARAMETERS



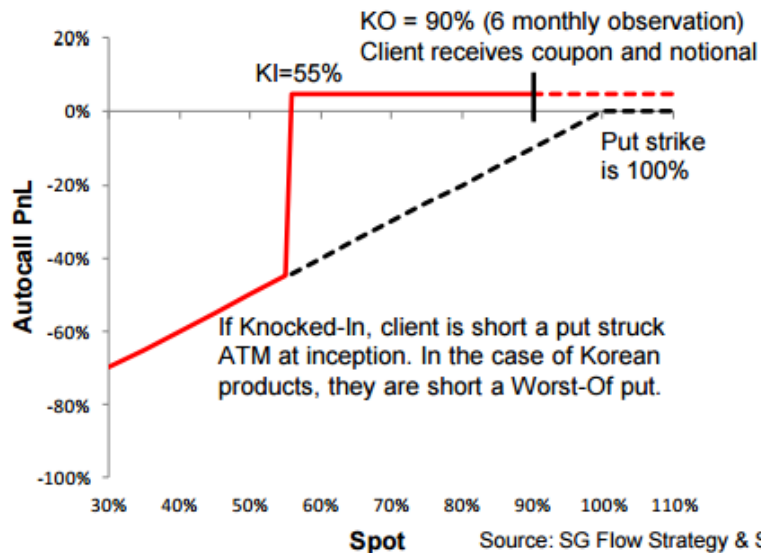
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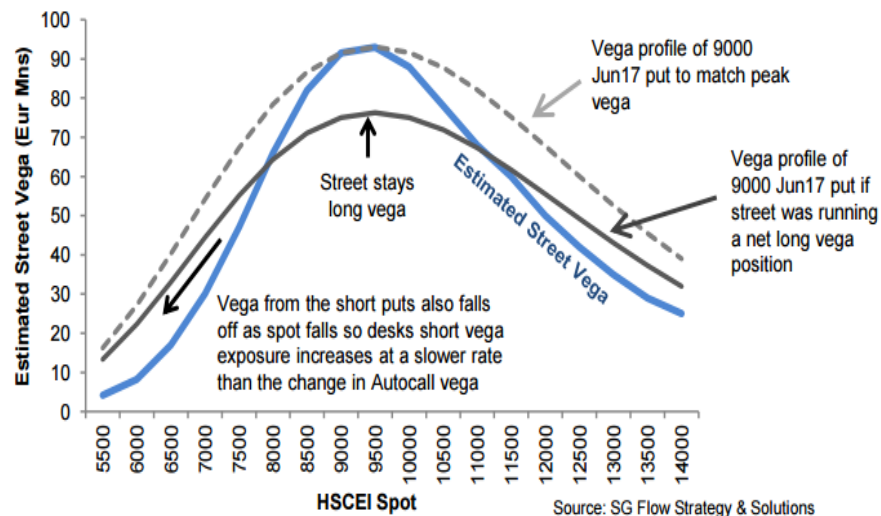
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HEDGING DYNAMICS BY DEALERS

Autocall payoff diagram



HSCEI Autocall vega profile vs vega profile of put used to hedge



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