THOMSON REUTERS EIKON

Key Money Market Applications

Document History

Version	Date	Authors	Changes
1.	15 July 2016	Chua Rui Ting Vincent Chia	First Issue for Eikon version 4.x

Contents

1. Rates View Money Market <RVMM>

The Rates Views and Money Market pages enable users to have an overview of all different information commonly used in the money market.

For example, here key money market rates as well as basic swaps and interest rate forwards for different tenors could be found.

In the Eikon Toolbar, search **<RVMM>** in order to open the application.

One can also search which country or sector they would like to view in particular.

2. Swap Pricer <SWPR>

How to price a new IRS deal

One way to price a new IRS deal is to use the Swap Pricer to set the different parameters in order to generate the fixed rate which should be paid by the fixed rate payer.

In the Eikon Toolbar, type **<SWPR**> (PREVIEW SWPR)

As shown above, set the necessary parameters for

1. Currency type (must be collateralized as per new FRS specifications0

2. Swap Type

3. Structure

4. Notional

5. Solving for 1st Leg (Payer of fixed rate in this case)

See the fixed rate for today and the market value of the IRS today.

If a spread is to be imposed, it could be included as shown in the blue box above.

How to price an existing IRS deal

If either party wishes to cancel the IRS deal halfway through the tenor, the SWPR calculator could be used to calculate the penalty that should be paid (by other sign as shown by the sign of the NPV)

Here is an example that continues from the previous screenshot.

Assuming that the start date of the contract was on January 14, 2015, where a 2% fixed rate was agreed upon. Today is 26/5/2016.

Hence, in the SWPR, we would change the following information.

1. Change the start date to the date of the contract (here 14/1/2015)

2. Change the fixed rate agreed upon (i.e. 2%)

3. Change the "Solve for" to **NPV**

4. Find the NPV of the IRS. Here the value is negative and hence the payer of the fixed rate would have to pay for the cancellation of the IRS deal.

Similarly a spread could be added if needed.

3. STIR Futures <STIR>

STIR Futures (Short Term Interest Rate Futures) work in the same way as Forward Rate Agreements (FRAs) with one key difference.

Whereas FRAs are bought in the over the counter market and can be customized, STIR futures are exchange traded and hence cannot be customized.

In the Eikon Toolbar, searh **<STIR>** in order to open the following application and enter the specific currency to find the futures available.

Futures usually trade during the IMM dates of March, June, September and December.

When hovering over the month in the **ED** Page in Quotes, (Press F4, type **"ED:"** and hit F3, a code such as EDZ6 could be seen. Here, Z is the month code and 6 represents the year (in this case 2016).

However, this is not the only way to generate information about the details of that contract. There are three different ways for us to generate the information.

<EDZ6:>: Where Z is the month code and 6 is the last digit of the year

<EDcm3>: These are for IMM dates (the next quarterly contract) being cm1)

<EDc1>: These are for monthly contracts (the nearest monthly contract)

If <EDZ6=> is typed, a more detailed page could be obtained, as seen from the picture.
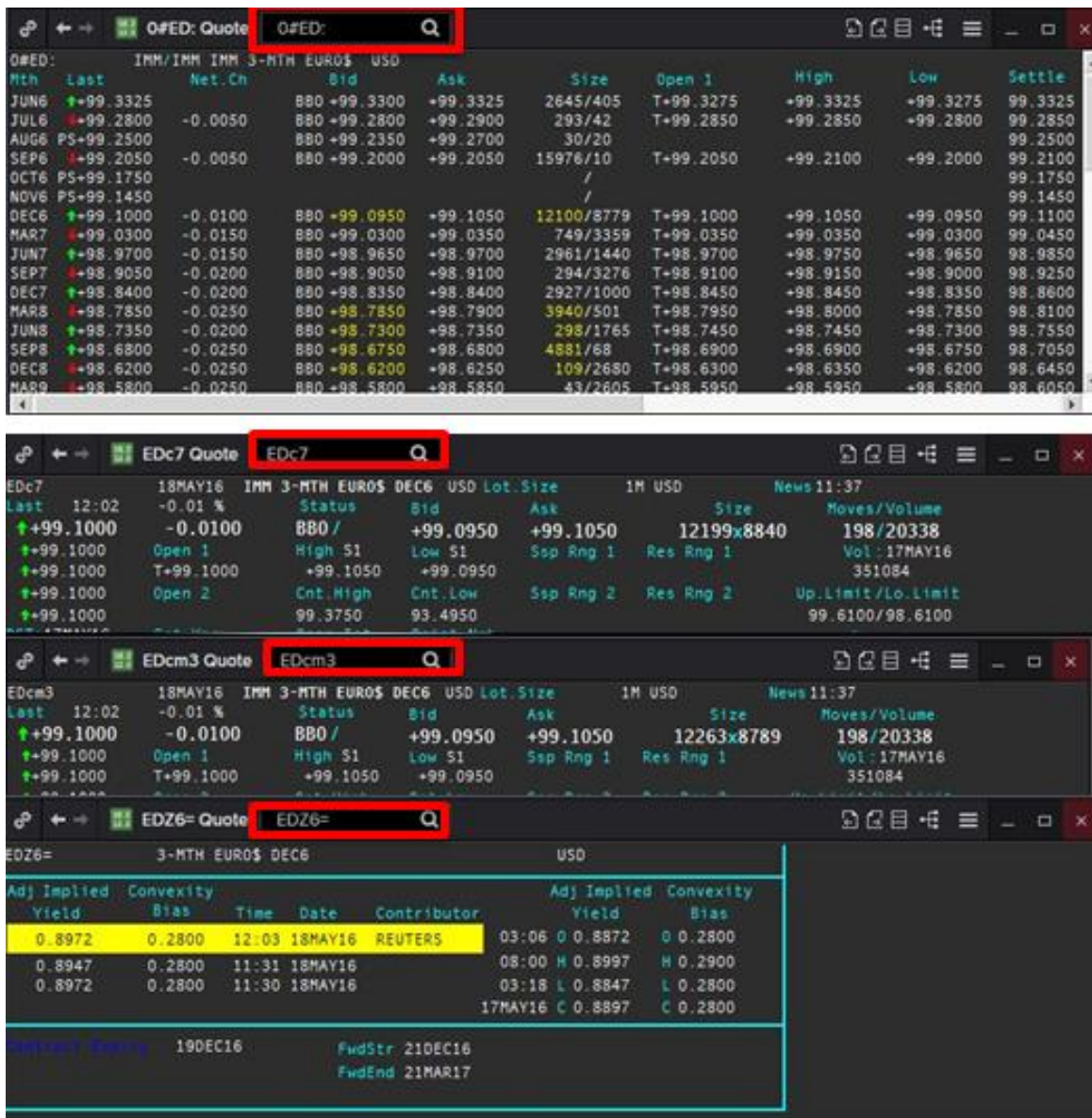
4. FRA Pricing <FRAP>

Eikon uses 2 main ways to price a FRA.

1. Futures

2. Zero Coupon Curve

In the Eikon Toolbar, search **<FRAP**> in order to open the FRA Pricing Caluclator.

Here, enter the required currency as well as the method of pricing and the time periods necessary.

IMM Dates Convention

H= March
M= June
U = September
Z = December

These are the months that FRA contracts usually trade (each with 3 months tenors). Hence, although FRAs can commonly ne traded in almost all months in a year, predominantly, a high number of trades occur during these months.

Implied FRAs is the bid and ask rate of interest that the FRA predict will be the spot rate at the date of maturity and hence would be the values used to trade.