

ECTFE Professional Energy Trader Training Short Program

Module 5. Oil Trading Practice II

How can traders, operators and shippers interface effectively to add value? How do top-tier commodity trading firms make profits? What forces drive oil price negotiations and strategies? This advanced module highlights various best practices and trading approaches in modern petroleum markets with case studies, industry examples and hands-on exercises. The module provides detailed insights for front, middle and back office personnel on the functions and roles of oil traders, operators, marketers and shippers. Framing concepts from contract law, game theory, behavioural psychology, risk management manuals and strategic decision-making, students will engage in interactive contract negotiations, tanker charters, tenders and real-time physical and paper trading in a simulated live window trading platform.

Course Outline:

Advanced Trading Concepts: How does an oil trader perceive, digest and respond to market opportunities? What strategies do leading trading firms deploy to garner added value from the oil supply and value chains? What do we mean by arbitrage and optionality? What qualifies some markets and locations as trading hubs? What are the potential applications of technical analysis? This module will place students inside the mind-set of the modern oil trader, equipping them with the basic tools and concepts to make informed commercial decisions and deploy value-added strategies in trading and risk management.

During this module students will:

- Understand the advantages of market critical information and information asymmetry
- Examine key strategies - arbitrage, contango carry, optionality, leverage and system trade
- Manage exposures to the 5 Ds: delivery, demurrage, delay, dues and dead freight
- Study different ways to build the value of optionality into trading models and worksheets
- Apply key concepts from behavioural psychology and game theory to modern oil trading
- Review applications of technical analysis including MA, RSI, Bollinger Bands and MACD

Advanced Trading Strategies: How do trading organizations process market information, assess potential commercial opportunities and execute profitable trading strategies in physical and paper markets? What negotiating tactics and strategies can traders deploy to gain a material, sustainable competitive advantage? How do traders quantify the potential costs and rewards of different negotiable terms in physical contracts? What is the relative value of storage in physical trading and what are the best strategies to secure potential value-added profits? How do traders manage a stop/loss situation or limit potential downside in physical trading, negotiations and tenders? This module will breakdown the practical components of trading strategies and negotiations using case examples and interactive negotiation exercises.

During this module students will:

- Apply optimal arbitrage strategies under multiple trading scenarios
- Input data, parameters and limits using an optimal fuel oil blending program
- Engage in an interactive negotiation over the purchase, sale and delivery of a crude cargo
- Participate in a competitive tender evaluating best/worst case scenarios and break evens
- Examine multiple trading strategies and scenarios for land-based or floating storage

Advanced Risk Management: How do trading organizations use financial instruments to mitigate the impact of potentially adverse events? How do traders lock in positive returns through hedging? How do trading organizations monitor, measure and manage trading exposures? What are the potential risks/rewards involved in hedging physical oil prices with futures, forwards, swaps or options? Where can risk management backfire? What are best practices for companies in framing sound, effective risk procedures, controls and policies? The module will place students in various scenarios requiring selection of optimal risk management strategies using case studies, class exercises and industry standards.

During this module students will:

- Apply assess optimal hedging strategies under multiple risk management scenarios
- Examine how to manage refining margin risk with crack spreads and full margin hedging
- Evaluate efficiencies of futures, forward, swaps and options in hedging price exposure
- Study best practices of successful risk management and cases of misapplied risk strategies

Integrated Oil Trading and Price Risk Management Simulation: In this final module, students will apply all of the lessons and tools from the Trading Project/Practice modules in live, interactive trading utilizing JBC's unique trading simulation model. Students will engage in various physical and paper trades, devising trade strategies based on streaming news and information and executing physical and paper deals on a live screen or in bilateral negotiations.

During this module students will:

- Receive a thorough briefing on the rules of engagement for simulated trading
- Process live news flow separating key trading signals from irrelevant trading "noise"
- Analyze unique company trading positions, missions, trade information and objectives
- Devise trading strategies and execute trades in a compressed five day live simulation
- Enter daily transactions, prepare position reports and mark-to-market trading P&L
- Participate in team post-trade audits, reviews and recommendations