

HOMEWORK #8

PLEASE WRITE YOUR FULL NAME AND THEN SUBMIT YOUR HOMEWORK

Name:

Answers

TOTAL RETURN SWAP (TRS) AGREEMENT

Party A: Seller (Transferer) of Portfolio Risk

Party B: Buyer (Trasferer) of Portfolio Risk

TRS CONTRACT TERMS			
Yr 0	Term	1 year	
	Principal	100,000,000	
	Income	SOFR +	2.00%
		SOFR=	3.00%

Question 1

Calculate the Income for Party A and the profit or loss for Party B if the Portfolio under the TRS agreement goes up 25% in value

SCENARIO 1:			
PARTY A		PARTY B	
		Portfolio Gain/Loss	25%
			25,000,000
Income	5,000,000	Less Swap Pay	(5,000,000)
		Profit	20,000,000

Question 2

Calculate the Income for Party A and the profit or loss for Party B if the Portfolio under the TRS agreement goes down by 15% in value

SCENARIO 1:			
PARTY A		PARTY B	
		Portfolio Gain/Loss	-15%
			(15,000,000)
Income	5,000,000	Less Swap Pay	(5,000,000)
		Profit	(20,000,000)