Bloomberg

Bloomberg Recommended Settings

Bloomberg recommended Interest Rates Curve Settings ensures you obtain Bloomberg's most accurate price for pricing derivatives with the "best" available data and latest market conventions. Bloomberg's "best" available data depends on the accuracy, reliability and accessibility of contributions fed into the system.

This document includes:

1. Description of Bloomberg Recommended Settings

2. How to update your settings to Bloomberg Recommended Settings

3. How to revert to your previous settings

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Description of Bloomberg Recommended Settings

You can define the settings to be applied to interest rate curves in SWDF <GO>.
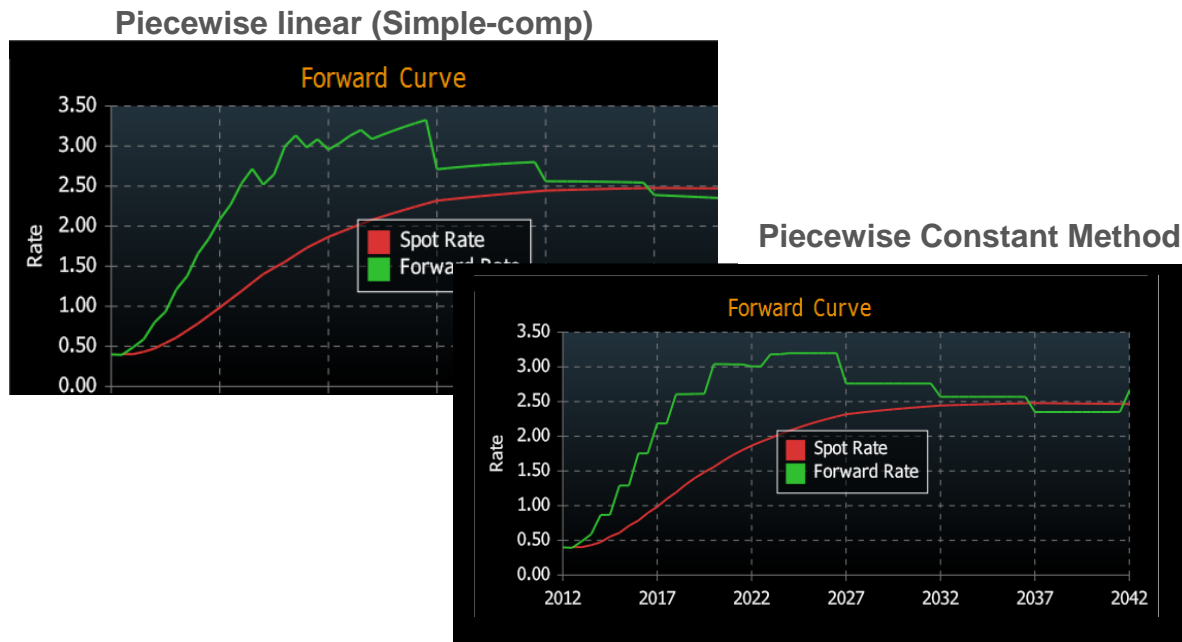Bloomberg Recommended settings define:

1- Market Side
2- Interpolation Method
3- Cross-Currency Basis Market Side
4- (L)ibor Fixing Option for the DV01 Calculation
5- OIS Discounting and Dual Curve Stripping
6- Use Bloomberg Source 8 for curves by default for pricing

1- Market Side: Mid

Bloomberg recommended settings suggest to use Mid quotes for the underlying instruments of the curve.

2 - Interpolation Method: Step-Forward

Step-Forward assumes a piecewise constant function for the forward rate. Please see below a comparison between the piecewise linear (simple-compounded zero-rate) method and the Step-Forward interpolation methods.

Piecewise linear (Simple-comp)

Piecewise Constant Method

To get more information, please refer DOCS 2064159 <GO>.

3- Cross Currency Basis Market Side: Basis side always at Mid

This setting indicates the curve market quote to be used for pricing cross-currency basis swaps. Bloomberg recommended settings suggest to use Mid quotes.

4- (L) ibor Fixing Option (DV01 Calculation): Constant

This setting is to indicate whether the first Libor Fixing period rate of the derivative should be kept constant or be shifted along with the rest of the curve for the DV01 calculation.

Bloomberg recommended setting suggests keeping the first fixing for the DV01 calculation constant. This is based on the premise that the first fixing has been set so changes in today's market conditions do not impact this payment period.

5- OIS Discounting/Dual Curve Stripping: Enable

Because of the increasing use of liquid collateral and of initial and variation margin, it is becoming more commonplace to price and value derivatives using an OIS curve, and to infer their future cashflows from a combination of both the OIS and par swap curves (known as Dual Curve Stripping).

The enablement of this Bloomberg Setting will automatically use an OIS curve for discounting and Dual Curve stripping to generate the forwards for the derivatives denominated in any of the following currencies:

OIS Dual Curve Stripping curves								
USD	EUR	GBP	JPY	CAD	AUD	CNY	HKD	RUB
SEK	DKK	NZD	CHF	PLN	COP	INR	MYR	

To have more information, go to OIS <GO>.

6- Swap Curve Source: Use Source 8 Bloomberg Best Curves for liquid currencies

Bloomberg under Source 8 contains the most appropriate instruments to build the swap curve for the short, middle and long sections of the curve (money markets securities, STIRs, FRAs, futures, swap, etc). To see each curve chosen instruments and data source go to ICVS <GO> and select the "Bloomberg Curves".

2. How to update your settings to Bloomberg Recommended Settings

The screen scans your current settings and displays the list of settings that differ from the Bloomberg Recommended ones. The first column describes the setting suggested to be changed (hover over the label to read the tooltip). The second column indicates your current setting and the third column, the Bloomberg Recommended Setting.

Check the boxes for the settings you want to change to Bloomberg Recommended Settings and click on 'Update'.

A 'Revert to Previous Settings' option appears at the bottom of the screen.

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Press the <HELP>
key twice for instant
live assistance.

3. How to revert to your previous settings

You will be able to revert to your previous settings by clicking on the option that appear at the bottom of the screen: 3) Revert to Previous Settings. The first column describes the setting suggested to be changed (hover over the label to read the tooltip). The second column indicates your current setting and the third column, the previous setting.

Check the boxes for the settings you want to revert to your previous settings and click on 'Revert'.

Please type the <HELP> key twice, if you have further questions.