PORT <GO>
PORTFOLIO & RISK ANALYTICS

SCENARIO ANALYSIS

Bloomberg's Portfolio & Risk Analytics solution for investment professionals provides you with the tools necessary to successfully implement optimal investment portfolio strategies. Our platform will help you make quicker, more informed decisions by enabling you to easily and accurately measure portfolio risk and return.

Fully integrated with the Bloomberg Professional service at no additional cost, our Portfolio & Risk Analytics platform provides end-to-end perspective for your portfolios—past, present, future—thus streamlining your overall investment management workflow.

The Scenarios Tab in PORT <GO> allows you to stress test (crash test) your portfolio to see how it is impacted. We offer two approaches for scenario analysis in PORT. Full Valuation is primarily relevant for fixed income instruments. However, for multi-asset portfolios, Bloomberg's multi-asset risk factor model is more useful because it incorporates the correlation of different asset classes for a given scenario.

Scenarios can be run using two different methodologies:

FACTOR-BASED SCENARIOS

» Returns are estimated by mapping instruments to factors in the Bloomberg Risk Model and then stressing those underlying factors.

» You can choose to isolate factors or propagate moves in one factor to all other factors in the model.

FULL-VALUATION SCENARIOS

» Spreads are calculated for instruments in the portfolio, then the underlying curve is shifted and the instrument is repriced.

» Full valuation only works for instruments that can be priced using a model (OAS/YASN/OVME <GO>, ect.).

Configuring Fields on the Scenarios Tab

» You can add more columns by right-clicking on any column header and selecting Add/Remove Fields. New fields such as Cash Flows, Duration, OAS and Convexity are available for Full Valuation scenarios.

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NAVIGATE THE PORT <GO> SCENARIOS TAB WITH EASE

The following section outlines the four primary subtabs you can use to gain better insight into your portfolio:

1 Main View – Allows you to choose the scenario against which to stress your portfolio. Examine how your portfolio is impacted and drill down into your portfolio holdings to see numerical depictions of how a holding performs within a given scenario.

2 Scenario Summary – Analyze scenario summary values for factor model and full valuation methodology scenarios. Depending on the type of scenario you are running, the subtab calculates the portfolio's profit and loss, P&L percentage, stressed market value, cash flows, option-adjusted spread, duration or convexity across each scenario.

3 Best & Worst – Deeper analysis for the best/worst securities and groups/sectors in your portfolio across all scenarios.

4 Scenario Navigator – Displays a matrix of all scenarios and their impact on your portfolio's P&L.

Stressing Scenarios – Bloomberg provides twelve pre-defined historical and hypothetical stress scenarios, such as the Lehman Brothers default of 2008 (historical) or a sharp decline in equities (hypothetical).

Also provided are Bloomberg fixed income rate shift scenarios, which allow you to forecast the risk/return profile of your bonds over a horizon period.

To stress a scenario, update the stress parameters:

1 Set – The set (group) within which your scenario resides

2 Show – Select one or all scenarios in the set along with the fields to view for a specific scenario or for all scenarios

3 Risk Model – The Bloomberg Risk Model (Global or Regional)

If you want to stress your own hypothetical or historical scenario, you must first create the scenario using the Scenario Editor, which can be accessed by clicking 'Edit/Create New' option under the 'Set' dropdown.

LEARN MORE

To learn more about Bloomberg's Portfolio & Risk Analytics solution, press the <HELP> key twice on the Bloomberg Professional service or go to bloomberg.com/portfolio-risk.

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