

DEREE COLLEGE SYLLABUS FOR: FN 4452 FIXED INCOME SECURITIES

(Previously FN 4352 Fixed Income Securities)

UK LEVEL: 6

(Updated Fall 2021)

UK CREDITS: 15
US CREDITS: 3/0/3

PREREQUISITES:

AF 2007 Financial Accounting
FN 2128 Principles of Finance
EC/FN 3046 Investment Analysis and Management I
FN 3213 Corporate Finance or FN 3105 Financial Management

CATALOG DESCRIPTION:

Bond valuation and analytical tools necessary for understanding the functioning of fixed income markets, as well as the risks associated with fixed income investments.

RATIONALE:

The course provides the basic framework for the valuation of a wide variety of complex fixed income securities, as well the key risks associated with these securities from the perspective of both the issuer and the investor.

LEARNING OUTCOMES:

As a result of taking this course, the student should be able to:

1. Apply pricing strategies and evaluate the risk of fixed-income securities.
2. Interpret key factors that drive change in yields curves, and the structure of interest rates.
3. Synthesize knowledge on the spot and derivatives markets and conclude on their key characteristics
4. Understand the securitization structure, and the credit risks associated with asset-backed securities
5. Evaluate the use of fixed income derivatives instruments in the construction and management of bond portfolios

METHOD OF TEACHING AND LEARNING:

In congruence with the teaching and learning strategy of the college the following tools are used:

- In-class exercises and real life examples that help lecturer to illustrate basic concepts, and techniques and involve the use of spreadsheet applications
- In-class interactive discussions using cases that aim to enhance students' analytical and critical capabilities as well as their communication skills. Students are expected to be prepared for in-class discussions and are encouraged to present and share their views and answers.
- Group discussions - students are divided into groups to perform short research activities that involve the use of web search or the use of financial databases.
- Use of Blackboard.
- Guest lectures by invited scholars and professionals.

ASSESSMENT:

Summative:

1 st assessment: Individual project (2,600-2,800 words)	50%
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	<table border="1" data-bbox="678 138 1422 235"> <tr> <td>Final assessment: In-class written examination (Two-hour, closed-book, comprehensive)</td> <td style="text-align: center;">50%</td> </tr> </table> <p>Formative:</p> <table border="1" data-bbox="678 298 1422 365"> <tr> <td>One written assessment</td> <td style="text-align: center;">0%</td> </tr> <tr> <td>Case discussion</td> <td style="text-align: center;">0%</td> </tr> </table> <p>The formative assignments prepare students for the examinations and ensure that students are actively engaged during the term.</p> <p>The 1st assessment tests Learning Outcomes 1, 2, 3, 4, and 5, with emphasis on 2 and 3. The final assessment tests Learning Outcomes 1, 2, 3, 4, and 5, with emphasis on 1 and 4.</p> <p>The final grade for this module will be determined by averaging all summative assessment grades, based on the predetermined weights for each assessment. If students pass the comprehensive assessment that tests all Learning Outcomes for this module and the average grade for the module is 40 or higher, students are not required to resit any failed assessments.</p>	Final assessment: In-class written examination (Two-hour, closed-book, comprehensive)	50%	One written assessment	0%	Case discussion	0%
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One written assessment	0%						
Case discussion	0%						
<p>INDICATIVE READING:</p>	<p>REQUIRED READING:</p> <p>Fabozzi. F. Bond Markets, Analysis and Strategies. <i>Prentice Hall</i>, latest edition.</p> <p>Other library sources, including journal articles accessible through the Library, as assigned by the instructor.</p> <p>RECOMMENDED READING:</p> <p>Avramov, D., Jostova G., and A. Philipov (2007). Understanding Changes in Corporate Credit Spreads. <i>Financial Analysts Journal</i>, 63(2), 90-105.</p> <p>Bernoeth, K., von Hagen, J., and L. Schuknecht (2012). Sovereign Risk Premiums in the European Government Bond Market. <i>Journal of International Money and Finance</i>, 31(5), pp. 975-95.</p> <p>Campbell, J. Y. and Taksler, G. B. (2003). Equity Volatility and Corporate Bond Yields. <i>Journal of Finance</i>, 58, 2321-2349.</p> <p>Cantor, R. and F. Packer (1996). Determinants and Impact of Sovereign Credit Ratings. <i>FRBNY Economic Policy Review</i>, October, 37-53.</p> <p>Chen, L., Lesmond D., and J. Wei (2007). Corporate Yield Spreads and Bond Liquidity. <i>Journal of Finance</i>, 119-149.</p> <p>Favero, C., Pagano M., and E.L. von Thadden (2010). How Does Liquidity affect Bond Yields. <i>Journal of Financial and Quantitative Analysis</i>, 45(1), pp. 107-134.</p>						

	<p>Geyer, A., Kossmeier, S. and S. Pichler (2004). Measuring Systemic Risk in EMU Government Yield Spreads. <i>Review of Finance</i>, 8, 171-197.</p> <p>Hagen, J., Schuknecht, L., and G. Wolswijk (2011). Government Risk Premiums in the EU Revisited: The Impact of the Financial Crisis. <i>European Journal of Political Economy</i>, 27(1), 36-43.</p> <p>Hilsher, J. and Y. Nosbusch (2010). Determinants of Sovereign Risk: Macroeconomic Fundamentals and the Pricing of Sovereign Debt. <i>Review of Finance</i>, 14, 235-262.</p> <p>Longstaff, F., Pan, J., Pedersen, L. and K. Singleton (2011). How Sovereign is Sovereign Credit Risk?, <i>American Economic Journal</i>, 32(2), 73-103.</p>
<p>INDICATIVE MATERIAL: (e.g. audiovisual, digital material, etc.)</p>	<p>REQUIRED MATERIAL: N/A</p> <p>RECOMMENDED MATERIAL: N/A</p>
<p>COMMUNICATION REQUIREMENTS:</p>	<p>Use of appropriate academic conventions as applicable in oral and written communications.</p>
<p>SOFTWARE REQUIREMENTS:</p>	<p>Word, Excel, PowerPoint, Refinitiv, Bloomberg</p>
<p>WWW RESOURCES:</p>	<p>www.bloomberg.com www.quicktake.morningstar.com http://finance.yahoo.com/ www.investinginbonds.com www.isda.org www.bis.org www.federalreserve.gov</p>
<p>INDICATIVE CONTENT:</p>	<ol style="list-style-type: none"> 1. Bond pricing and yield measurement 2. Factors that determine the bond price volatility and the related risk metrics 3. Term structure of interest rates, forward yield curves, zero-coupon curve. 4. Structured securities and securities with embedded options. 5. Municipal securities, Mortgages, Asset-backed securities (ABSs) and Collateralized Debt Obligations (CDOs) 6. Corporate bonds and credit risk derivatives. 7. Interest rate futures, options, Interest Rate Swaps (IRSs), Caps and Floors.