

UNC Charlotte
Belk College of Business
FINN 6211: Fixed Income Securities & Credit Risk

Spring 2019

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Class Time: Mondays 5:30pm-8:15pm
Class Location: Center City 501

Required Text: *Bond Markets, Analysis & Strategies*, by Frank J. Fabozzi, 9th edition 2016, Pearson

Reference: *The Handbook of Fixed Income Securities*, edited by Frank J. Fabozzi, 8th edition, 2012 McGraw Hill

Course Objective

The purpose of this course is to introduce the students to the various aspects of fixed income securities and markets. Topics involve the basic concepts of fixed income securities, interest rates and yield curve, bond volatility measures, major fixed income sectors, bonds with embedded options, portfolio and risk management, hedging and credit risk.

By the end of this course, you will be expected to:

- Master the basic concepts of bond mathematics (yield, duration and convexity)
- Understand the determinants of term structure
- Have learned about the various sectors and participants in the fixed income markets, both from an issuer (sovereign, corporate, municipality) and buyer (mutual fund, insurance company...) perspective
- Grasp the structure and valuation of bonds with embedded options
- Master bond performance measures and portfolio management
- Examine the components of credit risk.

Course Logistics

1. Materials that supplement the required text will be distributed regularly or links to readings will be posted on Canvas.
2. Starting with class 2, we will always start the session with a review of the prior week's developments in the fixed income markets. By teams of 2 or 3, you will present an update to the rest of the class on what news hit the markets, how it affected sectors of fixed income.

These presentations will represent 10% of your grade. At the end of the first class, I will perform a dry run of this exercise to give students a sense of what is expected.

3. There will be one mid-term (40% of the grade) and one final exam (50% of the grade).
4. Lecture/discussion is the primary format for class sessions. Students are expected to read the handouts and keep current on financial markets involving fixed income.

Course Schedule

Jan 14	Introduction to Fixed Income Securities	Fabozzi Chapter 1
Jan 21	Martin Luther King day - No class	
Jan 28	Bond Valuation & Yields	Fabozzi Chapters 2&3
Feb 4	Bond Price Volatility	Fabozzi Chapter 4
Feb 11	Factors affecting yields and term structure of interest rates	Fabozzi Chapter 5
Feb 18	Major fixed income sectors Part 1 Treasury, Agency, Corporates and Municipals Replacement Instructor: Stephen Young	Fabozzi Chapter 6, 7 & 8
Feb 25	Major fixed income sectors Part 2 Sovereign & international bonds Replacement Instructor: Mark Southern	Fabozzi Chapter 9
Mar 4	Spring break – No class	
Mar 11	Mid-Term Exam	
Mar 18	Mortgage backed securities	Fabozzi Chapter 11
Mar25	CMOs	Fabozzi Chapter 12 & 18
Apr 1	Bonds with embedded options	Fabozzi Chapter 18
Apr 8	Bond portfolio management	Fabozzi Chapter 24
Apr 15	Bond portfolio construction	Fabozzi Chapter 25
Apr 22	Credit Risk	Fabozzi Chapter 22 & 23
Apr 29	Final Exam	

Grading

A =100-90 B = 89-80 C = 79-70 D = 69-60 F = 59-0

Attendance

The UNC Charlotte Catalog lists the following attendance policy.

"Each instructor determines the attendance regulations for his or her classes. Students are expected to attend punctually all scheduled sessions in the courses for which they are registered and are responsible for completing the work from all class sessions." Absences from classes may be excused by the instructor for such reasons as personal illness, religious holidays, or participating as an authorized

University representative in an out-of-town event. Whenever possible, students are expected to seek permission of the instructor prior to absences."

Honor Code

All students are required to read and abide by the Code of Student Academic Integrity. Violations of the Code of Student Academic Integrity, including plagiarism, will result in disciplinary action as provided in the Code.

Academic Diversity

Students have the responsibility to know and observe the requirements of the UNC Charlotte Code of Student Academic Integrity (Catalog p. 336 and 337). This code forbids cheating, fabrication or falsification of information, multiple submissions of academic work, plagiarism, abuse of academic materials, and complicity in academic dishonesty. Any special requirements or permission regarding academic integrity in this course will be stated by the instructor, and are binding on the students. Academic evaluations in this course include a judgment that the student's work is free from academic dishonesty of any type; and grades in this course therefore should be and will be adversely affected by academic dishonesty. Students who violate the code can be expelled from UNC Charlotte. The normal penalty for a first offense is zero credit on the work involving dishonesty and further substantial reduction of the course grade. In almost all cases the course grade is reduced to F. Copies of the code can be obtained from the Dean of Students Office. Standards of academic integrity will be enforced in this course. Students are expected to report cases of academic dishonesty to the course instructor.

The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individual is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

Accommodations for Disabilities

If you have a diagnosed disability, you need to check in with the Office of Disability Services in 230 Fretwell.