



BUSINESS SCHOOL
Te Kura Pakihi

COURSE OUTLINE

FINC 310 ***Fixed Income Security Analysis***

Semester 2, 2017

The recording of lectures and tutorials is strictly prohibited. This includes, but not limited to: audio; still photographs; and, video.

The use of mobile phones is prohibited, as noted by the signs in the classrooms. If you are caught using your phone, it will be taken and held until the end of class. Your life will not end due to the lack of communication for two hours.

This course outline contains information specific to this paper. For more general information common to your papers, please refer to the COMMERCE_UG_2017: Commerce Undergraduate Students site on Blackboard.

Paper Description and Aims

This course covers the valuation of fixed income (interest) securities and derivatives and their uses in a portfolio construction and hedging

Learning Outcomes

The main goals of this paper are 1) to give students a solid grounding in the characteristics and valuation of debt securities; and, 2) how to manage a portfolio of fixed income securities and their risks. It roughly follows the fixed income section of the CFA® Program's Candidate Body of Knowledge™. The CFA Institute regularly surveys members and other financial professionals to update the required knowledge. This course will cover a good deal of this required knowledge.

The chapters of the textbook contain learning outcomes for that chapter. If the student can master these outcomes, he or she should have little difficulty. Many students believe they have mastered the material, but do not put in the proper effort. To succeed, you must *honestly* assess your knowledge and seek help to fix your weaknesses. Every tutorial sheet has learning outcomes at the top. You should use these to guide your study.

All learning outcomes may be assessed during tutorials and on the final exam.

Teaching Staff

Paper Coordinator & Lecturer

Name: Dr. Scott Chaput, CFA

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Office Hours: Tuesdays 10am - 11am and Wednesdays 1pm – 3pm or email for an appointment

Class Representatives

Class representatives are an important means of communication between students and staff. Contact details for your student class representatives can be found on the Blackboard page for this paper.

Course Delivery

Lecture Day/Time: Mondays 3 – 5

Room: Check eVision

Tutorials and/or Labs Day/Time: Check eVision

Students are expected to attend all lectures and their designated tutorial stream.

If you fail to attend lectures, you are solely responsible for making up the material covered from your fellow students.

Lectures present the key conceptual material. Lectures are supported by independent readings. Lectures should be treated as a sign-post for wider independent study.

Tutorials are interactive, collaborative sessions in which students attempt to cement concepts presented at lectures with their peers in a supportive environment.

Tutorials begin in the *first week* of semester.

Course Calendar The course calendar (at the end of this document) details scheduling information. Note that this calendar may change as the course proceeds. Any changes will be announced at lectures and be detailed on Blackboard.

These activities should be prepared for by reviewing information detailed on Blackboard and completing any assigned readings. Unless stated otherwise, all aspects of the course are examinable.

Course Learning Resources

Bond Markets, Analysis and Strategies (8th edition), by Frank J. Fabozzi, Prentice Hall. A limited number of copies of the book is available from the University Bookshop. This is an excellent book and is offered at a (comparatively) good price. Photocopying the book may be a violation of copyright laws. Older editions are floating around, they are very similar but you use them at your own risk.

A useful Library website is dedicated to Finance topics and is found here:

<http://www.library.otago.ac.nz/databases/results.php?code=finc&dept=Finance>

Blackboard

<https://blackboard.otago.ac.nz/> provides you with access to course materials, class notices, and resources. Blackboard is used to email the whole class so it is important that you check your student email and *Blackboard* regularly.

Further information about student support, learning support and information, academic integrity and other University resources for students is available on the COMMERCE_UG_2017: Commerce Undergraduate Students site on Blackboard.

Student Webmail

We will use your student email account to email you information relevant to your programme. To forward your University email address to an email address that you use regularly:

1. Log into your StudentMail account (<http://www.otago.ac.nz/smlanding/>) using your student username and password.
2. Click the **Cog** button (top right corner).
3. Click on **Mail** under **Your App Settings**.
4. Under **Accounts** on left hand side, select **Forwarding**.
5. Under the Forwarding heading, type in the email address you want your email to be forwarded to. You can also choose to have a copy of these emails kept on your StudentMail account, so please check the box if you would like this.
6. Click the **Save** button.

Assessment

All material presented is examinable (except where stated otherwise) in tutorials and on the final examination. All important assessment information such as due dates and times, content, guidelines and so on will be discussed at lectures and, where appropriate, detailed on Blackboard. *Students are responsible for ensuring that they are aware of this information, keeping track of their own progress, and catching up on any missed classes.*

Assessment	Due date	% of final grade
Assignments	Weeks 1 – 12	30%
Peer Assessment	Week 12	5%
Final Exam	TBA	65%

Course Requirements

Final Exam: You need to pass the final exam to pass the course. You must score at least 50% over the entire course to receive a passing mark. The exam will be approximately 40% - 50% numerical and 50% - 60% conceptual. You must receive a passing mark in both of these areas to pass the exam. This eliminates students putting all their hopes on “knowing the maths” and scraping enough concepts to get through. You must understand most of the material to pass, not just enough. There will be no formula sheet for the final exam.

Tutorials: There are 12 assessed tutorials throughout the semester (Weeks 1-12). You keep the 10 highest and drop the lowest two. This makes each tutorial worth 3% of your final grade. If you are absent, you get a zero for the day. If you are absent, you do not need a note, it will count as one of your drops. If you are going to miss several consecutive tutorials for a valid reason, see me beforehand. We can then work out a plan to minimize the impact on your mark. Do not seem after the fact.

You work in groups (normally four people, sometimes three) to answer various questions (numerical and conceptual). You are assessed as a group, not individually. You may check your group's mark at the end of class. The peer evaluation allows you to rank each member in your group for their contribution throughout the semester. You are not permitted to use notes or textbooks during tutorials. If you are caught using notes once, your group get a zero for one question. If your group gets caught a second time, the result is a zero for the day for your group. I will not make extra copies of or solutions to the tutorials available. Each group is responsible for ensuring everyone has a copy later. Electronic transmission of the tutorial sheets is a violation of copyrights. Excel may be required for one tutorial so at least one person in each group must have a laptop.

You can only change tutorial streams if you are swapping places with someone in your desired stream. This is because it is difficult to get the groups balanced correctly, and any late additions disrupt the whole process.

If you miss your tutorial without prior approval, you may attend another one, but will **not** receive credit. If you have an important event (job interview, doctor's appointment, etc) that conflicts with your scheduled tutorial, inform me in advance (with evidence) and I will try to restream you for that tutorial only and you can receive credit.

Course Calendar

The last two pages of this document contain most of the most useful information. You will find a schedule of weekly lecture and tutorial topics on the next page. The last page contains problems from the text that may be useful in study. All information is current as of 09 June 2017, but is subject to change. All changes will be notified in advance.

Disclaimer

While every effort is made to ensure that the information contained in this document is accurate, it is subject to change. Changes will be notified in class and via Blackboard. Students are encouraged to check Blackboard regularly. It is the student's responsibility to be informed.

Week	Date	Topic	Reading	Tutorial
1	10 July 2017 through 14 July 2017	Introduction & Overview	1, 2 & 3	Simple Pricing
2	17 July 2017 through 21 July 2017	Rate & Price Volatility	4	Arbitrage Pricing
3	24 July 2017 through 28 July 2017	Price Volatility & Term Structure	4 & 5	Bootstrapping
4	31 July 2017 through 4 August 2017	Term Structure & Uncertainty	5	Duration I
5	7 August 2017 through 11 August 2017	Futures	26	Duration II
6	14 August 2017 through 18 August 2017	Swaps	28	Futures
7	21 August 2017 through 25 August 2017	IR Options	27	Swaps
Break	28 August 2017 through 1 September 2017	Relaxation	MidSemester Break	
8	4 September 2017 through 8 September 2017	Asset Backed Securities	Skim 10 - 15 & 18	IR Options (Read Chap 16)
9	11 September 2017 through 15 September 2017	Credit Risk Models	21	ABS
10	18 September 2017 through 22 September 2017	Credit Default Swaps	29	Reduced Form Models
11	25 September 2017 through 29 September 2017	Portfolio Management	22 - 25	Structural Models
12	2 October 2017 through 6 October 2017	Portfolio Management	22 - 25	Portfolio Management
13	9 October 2017 through 13 October 2017	Reserve Week		

All Reading are from Frank Fabozzi, Bond Markets, Analysis, and Strategies (8th Edition), Pearson

Remember to read BEFORE coming to class!

Chapter	Questions	Notes
1	3, 8 - 11, 16	
2	4, 5, 9, 11	In 9, think of MD & YTM
3	3, 8a, 8b, 10, 13	
4	2 - 5, 11, 18	2d should be MD, not convexity
5	2, 3, 6 -12, 22, 23	
6	None	
7	8, 24, 26, 27	
9	3, 4, 11a	
10	1, 3, 6, 12, 16	12 is for interest only
11	2, 6	
12	1, 3	
13	1	
14	None	
15	1, 8, 16	
16	7, 9	
26	1, 19, 20, 21	
27	1 - 3, 8	
28	1a, 2 - 4, 6	
21	1, 4, 13, 14	
22	1, 2, 4, 9, 11a	
23	1, 6, 7 ,15, 16	
24	3, 4, 10 - 14	
25	1, 12	