

The Hong Kong University of Science & Technology
Department of Finance
FINA 361: Fixed Income Securities
Spring 2006

L1: Monday & Wednesday 14:00–15:20, Room 2503

L2: Monday & Wednesday 15:30–16:50, Room 2503

Instructor: Dr. Ahron Rosenfeld
Office: Room 5472
Phone: 2358- 8016
E-mail: TBA
Office hours: Tuesday 13:30 – 15:30 and by appointment

Course Objective

The objectives of this course are to

- describe important fixed income securities and the institutional arrangements prevailing in fixed income markets, and
- develop the analytical tools necessary for valuing fixed income securities and managing interest rate risk.

The first part of the course covers the basic analytical tools used in analyzing fixed-income securities. These include: present value, prices and yields of default free government bonds, forward interest rates, the relation between bond prices and spot and forward interest rates, term structure theories and bond portfolio management tools like duration analysis, convexity measures and immunization techniques.

The second part of the course introduces the different segments of the bond market which include: government bonds, corporate bonds and Non-U.S. bonds.

The last part of the course deals with valuation and practical use of financial instruments closely related to fixed income securities. These include forward and futures contracts on fixed income securities, interest rate options, bonds with embedded options like callable bonds and convertible bonds, interest rate swaps, and mortgage-backed securities.

Required Textbook

(FF) Frank J. Fabozzi, 2003, *Bond Markets, Analysis and Strategies*, 5th edition, Pearson Education.

Grading

Midterm exam: March 15th. 30 %

Final exam Date TBA 70 %

The midterm will cover chapters 1-7 and will take up the entire class time. The final exam covers the entire course and will last 3 hours. You may bring to the exams an A4-size data sheet, on which you can write anything you like on both sides, but everything has to be hand-written.

Cheating will not be tolerated. Any student caught cheating in the exams will receive zero credit and may face further disciplinary actions.

Homework assignments

There are 4 homework assignments. Homework assignments will be collected before the lecture on due dates. Late assignments will not be accepted. Each overdue assignment results in minus 5 points in the total grade

The list of problems taken from the end of each chapter of the book and the due dates will be distributed in class. These problems provide a good preparation for the exams and you are strongly encouraged to attempt to solve them individually. Solutions will be available after due dates.

Topics

Part I	Basic Analytical Tools Readings	Readings
	1. Overview of fixed-income securities 2. Yield-to-maturity and spot rates 3. Duration and convexity 4. Forward rates and term-structure theories 5. Floaters and repos	Ch.1 Ch.2, Ch.3 Ch.4 Ch.5 Ch.2, Ch.19
Part II	Fixed-income Markets	
	6. Government bond markets 7. Corporate bond markets 8. Global perspectives	Ch.6 Ch.7 Ch.9
Part III	Fixed-income Derivatives	
	9. Interest-rate futures 10. Interest-rate options 11. Callable and Convertible bonds 12. Interest-rate swaps 13. Collateralized Mortgage Obligations	Ch.23 Ch.24 Ch.16,18 Ch.25 Ch.10-13

Miscellany

Each student is required to hand in a name card with a recent photo in the following format by the end of the third week.

<div data-bbox="279 1507 581 1843" data-label="Image"> </div>	<div data-bbox="711 1516 1219 1724" data-label="Text"> <p>HKUST, FINA361, Spring 2005, L1 Name (English): Law Suet-Ming, Lisa Name (Chinese): ID number: 98000001 E-mail Address: fn smlaw@stu.ust.hk Major: Finance</p> </div>
---	--