

**INTEREST RATE RISK MANAGEMENT
FINANCE 6547**

**Warrington College of Business
University of Florida**

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Class: Monday and Wednesday 9:35 - 11:45 AM STZ 103
Office Hours: Monday and Wednesday 8:30 - 9:30 AM STZ 303G

Course Overview and Philosophy.

This course covers a variety of topics relating to interest rate risk management and derivative securities. The course discusses interest rate risk management in the context of immunization, futures and swaps. Considerable emphasis will be placed on motivations to manage interest rate risk and case analysis.

Students are expected to have read the assigned readings and lecture notes prior to class. The class will move along at a rapid pace and cover some very advanced topics. If you have trouble understanding any material it is your responsibility to ask questions in class or seek outside help from the instructor. Absent any feedback from the class other wise, I will assume that all students are comfortable with the material and the pace of the course.

Readings.

The text for this course is the custom version of Bond Markets, Analysis and Strategies, by Frank J. Fabozzi used in the Finance 6545 class.

Two course packets are available for purchase at Target Copy. One packet contains technical notes, lecture outlines, and the case discussion questions the second packet contains the Harvard Cases.

Grading.

Your course grade will depend on your score on two assignments, a midterm exam and a final exam detailed below. *All four graded exercises are individual work. It is a violation of the University of Florida Honor Code to consult other students on these assignments.*

Assignment One: 25% of course grade
Due on 11/7/16

Assignment Two: 25% of course grade
Due on 11/21/16

Midterm Exam 25% of course grade
11/9/16

Final Exam 25% of course grade
12/14/16

Course Outline

10/24/16 – Financial Futures

Lecture Presentation	Technical Notes(s)	Other Readings
Financial Futures	Financial Futures	

10/26/16 – Bond Futures

Lecture Presentation	Technical Notes(s)	Other Readings
Bond Futures	Bond Futures	Fabozzi: Interest Rate Derivative Strategies

10/31/16 and 11/2/16 – Interest Rate Swaps

Lecture Presentation	Technical Notes(s)	Other Readings
Interest Rate Swaps	Interest Rate Swaps	

11/7/16 – Swaptions and Exotic Swaps

Lecture Presentation	Technical Notes(s)	Other Readings
Swaptions	Swaptions	
Exotic Swaps	Exotic Swaps	
	Convexity Hedging	

11/9/16 – Midterm

11/14/16 – Liability Driven Investing

Lecture Presentation	Technical Notes(s)	Other Readings
LDI	LDI	

11/21/16- Derivative Overlay Strategies

Lecture Presentation	Technical Notes(s)	Other Readings
OPERS Derivative Strategies	Derivative Portfolio Strategies	

11/28/16 – Immunization

Lecture Presentation	Technical Notes(s)	Other Readings
Immunization	Immunization	

11/30/16 - Treasury Inflation Protected Securities

Lecture Presentation	Technical Notes(s)	Other Readings
	TIPs Inflation Protected Bonds: The Algebra of Returns	

12/2/16 – Union Carbide Corporation Interest Rate Risk Management
Harvard Business School Case: 9-294-057

12/7/16 - Liability Management at General Motors
Harvard Business School Case: 9-294-057

12/7/16 - Banc One Corporation
Harvard Business School Case: 9-294-079

12/14/16 Final Exam