

**Debt and Money Markets
FIN 4243 Section 4608 & 4617**

**Warrington College of Business
University of Florida**

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Class:	Monday and Wednesday	11:45 AM – 1:40 PM (Sec. 4608)	HVNR 220
		4:05 PM – 6:00 PM (Sec. 4617)	HVNR 220
Office Hours:	Tuesday	4:00 – 5:00 PM	STZ 315E
		<i>(by appointment only)</i>	

Course description

The goals of this course are to describe important fixed income securities and markets, and develop tools for valuing fixed income securities. The course covers traditional bonds and term structure concepts as well as discussions on embedded optionality. The course also introduces interest rate risk management topics such as the duration and convexity of a bond portfolio in the context of immunization. Extensions of these risk management ideas to asset-liability management and bond portfolio strategies will be further discussed. Finally, basic interest rate derivatives such as bond forward/futures, forward rate agreements, and swaps will be introduced. Focus will be on the valuation and the use of these rate derivatives for the purpose of interest rate risk management.

The class will move along at a rapid pace and cover advanced topics. Students are required to have read the assigned readings, lecture notes/spreadsheets prior to class. 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 otherwise, I will assume that all students are comfortable with the material and the pace of the course.

Tentative course outline

1/8/18 (M)	Syllabus, Class Intro
1/10/18 (W)	Bond Pricing, Yield, and Rate of Return
1/15/18 (M)	Holiday (no class)
1/17/18 (W)	Bond Pricing, Yield, and Rate of Return

1/22/18 (M) Duration, Convexity, and their Applications, **Problem Set #1 Due**

1/24/18 (W) Duration, Convexity, and their Applications

1/29/18 (M) Duration, Convexity, and their Applications

1/31/18 (W) Duration, Convexity, and their Applications

2/5/18 (M) Term Structure, **Problem Set #2 Due**

2/7/18 (W) Term Structure

2/12/18 (M) Term Structure

2/14/18 (W) Term Structure

2/19/18 (M) Midterm Review, **Problem Set #3 Due**

2/21/18 (W) **Midterm (in class)**

2/26/18 (M) Curve Strategies

2/28/18 (W) Curve Strategies

3/5/18 (M) Spring Break (**no class**)

3/7/18 (W) Spring Break (**no class**)

3/12/18 (M) Curve Strategies

3/14/18 (W) Callable Bonds

3/19/18 (M) Callable Bonds

3/21/18 (W) Callable Bonds

3/26/18 (M) Forward Contracts and Forward Rates, **Problem Set #4 Due**

3/28/18 (W) Forward Contracts and Forward Rates

4/2/18 (M) Forward Contracts and Forward Rates

4/4/18 (W) Swaps

4/9/18 (M) Swaps

4/11/18 (W) FRAs

4/16/18 (M) FRAs

4/18/18 (W) Final Review, **Problem Set #5 Due**

4/23/18 (M) Final Review

4/25/18 (W) **Final (in class)**

Prerequisites

The study of fixed income securities is quantitative by nature and the material in this course is very technical. Students should have a background in basic finance and should be comfortable using math and working with numbers. Students should also be comfortable using Microsoft Excel as the majority of class materials, including problem sets, will be presented in Excel spreadsheet format. Please keep this in mind in deciding whether to take the course.

Readings.

The recommended (not required) textbook for this course is Bond Markets, Analysis and Strategies Eighth Edition by Frank J. Fabozzi. Reading chapters are indicated at the end of lecture slides. Lecture slides, problem sets, and solutions are posted on the class webpage.

Grading.

Class participation (10%)

Problem sets (20%)

Midterm exam (30%)

Final exam (40%)

Problem sets

A total of five problem sets will be assigned. These problem sets are posted on the class webpage with solutions. Students should submit their individual work on each problem set's due date. No late submission is permitted. Every work should illustrate all required steps to reach final answers and must be submitted in the Excel spreadsheet format through the class webpage.

Exams

Administrative details on each exam will be announced during the class prior to the scheduled exam date. Make-up exams are not allowed.

Academic integrity:

All students are required to abide by the Academic Honesty Guidelines set out by the University of Florida. The penalties for academic dishonesty are severe and will be enforced.

Document retention policy

Student course material will be retained for three weeks beyond the end of the term.

Accommodations for students with disabilities

Students requesting classroom accommodation must first register with the Dean of Students Office. The Dean of Students Office will provide documentation to the student who must then provide this documentation to the instructor when requesting accommodation.

Re-grade policy

The following re-grade policy exists to ensure that all students are treated equally and fairly in the grading process. All requests for re-grades must be submitted in writing within the 1 week period following the date when exam or assignment has been returned.

If you believe your points were incorrectly summed:

- a. Turn in all graded course material with corresponding points.
- b. Indicate clearly in writing where you believe the summation error occurred.

If you believe you received incorrect credit for a particular question:

- a. Turn in all graded course material.
- b. Provide a clear, type-written note (with very strong supporting documentation) that clearly shows me why you believe you received insufficient credit. You will have only one opportunity to make your case. Frivolous cases can result in a lower grade once all course material has been re-evaluated.
- c. If the initial credit turns out to be correct after re-grading, your final credit would be reduced by 10% of the initial credit.

In fairness to your classmates the assignment of partial credit will not be considered in re-grading requests.