COURSE OBJECTIVE: Provide an understanding of the operation of government agencies involved in the financial markets, financial institutions, the mathematics of fixed income securities, the term structure of interest rates, financial arbitrage, mortgage markets, and futures contracts, credit default swaps.


1/8  Introduction: Debt Levels and Interest Rate Patterns: Notes, E-Learning Website.

1/10 The Determinants of Interest Rates: Notes, E-Learning Website. Textbook problems 1-3 thru 1-5;

1/17 Bond Issuers: Notes, E-Learning Website. L Textbook problems 2-4, 2-5.


The Risks of Bond Investments. Duration and bond portfolio strategies: L Textbook, chapter 6, problems 6-1, 6-2.

1/29 Non-Flat Term Structures: L Textbook, chapter 7, All Problems.

1/31 Arbitrage for Fixed Income Securities: L Textbook, Chapter 8. All Problems.
The Term Structure of Interest Rates. Risk Aversion and Utility Functions: L Textbook, ch 9;


Put and Call Options. Credit Default Swaps. L Textbook chapter 11.

Futures Contracts: L Textbook, chapter 14, All Problems.


Project Presentations.

FINAL EXAM

GRADES: 50% of the grade will be determined by the group project and 50% by the final exam grade.

GROUP PROJECT: There will be a group project to describe and analyze a bond mutual fund.

A financial calculator is necessary for this course. An HP10-b calculator is sufficient. Please bring the calculator to class.

PowerPoint slides and answers to the homework problems are posted on the e-learning website.

Students are also required to be familiar with the following videos about the financial crisis of 2008-2009:

THE WARNING:

http://www.pbs.org/video/frontline-the-warning/

MONEY POWER AND WALL STREET:

http://www.pbs.org/wgbh/frontline/film/money-power-wall-street/