FIN 6547 - Interest Rate Risk Management
Dr. David Brown

Course Overview and Philosophy
This course covers a variety of topics relating to interest rate risk management and performance evaluation. 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. This course assumes some knowledge from FIN 6545, Fixed Income Security Valuations, taught by Dr. Brown in Fall Module 1.

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 requited readings in this course are contained in a readings packet athat is available from Target Copy and Bond Markets, Analysis and Strategies, Fourth Edition by Frank J. Fabozzi. The lecture outlines can be downloaded from teh MBA program web site. Students are expected to have read the assigned readings and lecture note prior to class. Class will move along at an rapid pace and cover some very advanced topics.

Grading
Your course grade will depend on your score on four assignments and a final exam detailed below. All five graded exercises are individula work and no collaboration is permitted.
Assignment One: Immunization Problem Set 20% of course grade
Handed out 10/26 and due 11/4
Assignment Two: Futures Problem Set 20% of course grade
Handed out 11/4 and due 11/16
Assignment Three: Swaps Problem Set 20% of course grade
Handed out 11/18 and due 12/2
Final Exam 40% of course grad

Course Outline

Immunization
Brown, Chapter 5
Fabozzi, Chapter 19
Lecture Outline: IMMUNIZATION
Immunization: Liability Strategies
Fabozzi, Pages 80-84
Lecture Outline: LIABILITY STRATEGIES
Union Carbide Corporation Interest Rate Risk Management

Harvard Business School Case: 9-294-057
Interest Rate Futures: Pricing
Fabozzi, Chapter 21
Lecture Outline: FUTURES ONE
Interest Rate Futures: Hedging
Lecture Outline: FUTURES TWO
Swaps
Fabozzi, Chapter 23
Lecture Outline: SWAPS ONE
Swaps: Caps, Collars, Floors and Swaptions
Fabozzi, Chapter 23
Lecture Outline: SWAPS TWO
Liability Management at General Motors
Harvard Business School Case: 9-294-057
Banc One Corporation
Harvard Business School Case: 9-294-079
Treasury Inflation Protected Securities: Valuation
Lecture Outline: TIPS
Inflation-Linked Liabilities
Bill Marshall/Goldman Sachs article