

EC1770: Fixed Income Securities

Fall 2009

T Th 1:00pm – 2:20pm

Wilson Hall 301

Professor Lily Qiu

Room 215, Robinson Hall

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Office Hours: M W 11 am – 12 noon

TA: Zhichao Wei

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Conferences: W 12:00 pm - 12:50 pm

Wilson Hall 106

W 7:00 pm - 7:50 pm

Rockefeller Library B6

Office Hours: Thursday 7pm – 9pm

Blue Room

Course Description

The U.S. fixed income market is much larger than the market capitalization of NYSE. Many corporations use fixed income derivatives to hedge interest rate risk. This class intends to introduce not only the institutional knowledge of the fixed income market, but also the analytical skills required for investments in bonds and their derivatives. Topics covered in this course include basic fixed income securities, term structure, hedging interest rate risk, investment strategies, fixed income derivatives, mortgage-backed securities. Prerequisites: EC1710/EC1720, and EC1620.

Students are responsible for regularly checking the class website on mycourse for updates and announcements. Students are also responsible for finding out information given out during the lectures that they miss.

The required textbook is: “*Fixed Income Securities: Tools for Today’s Markets*”, 2nd edition, by Bruce Tuckman, published by John Wiley & Sons. Lecture notes, which will be better organized than the textbook, will be posted on the class website before each lecture. It is recommended to bring a copy to the class.

The following book is recommended: “*Bond Markets, Analysis and Strategies*”, by Frank J. Fabozzi, published by Prentice Hall. This is a much easier book. It covers more institutional knowledge.

Exams and Assignments

There will be two midterms and one final exam. I require a dean’s notice prior to the exam date for any missed exam. Otherwise a missed exam receives a zero automatically. There

will be weekly problem sets posted on our class website. The assignments are due the following week during the conference.

Grading

Midterm 1:	in class, Oc. 8 th , 2009	25%
Midterm 2:	in class, Nov. 10 th , 2009	25%
Final:	9 am, Dec. 12 th , 2009	30%
Problem sets:	weekly	20%

In general the top 30% of the class will receive an A. However, I have the discretion to change the cutoff depending on the overall class performance at the end of the semester.

TENTATIVE COURSE CALENDAR

WEEK	Mo.	DATE	TOPIC
1	Sept	10	Introduction and Math Requirement
2		15	Institutional Knowledge I
		17	Institutional Knowledge II
3		22	Institutional Knowledge III
		24	Institutional Knowledge IV
4		29	Institutional Knowledge V
	Oct	1	Interest Rate and the Discount Factor
5		6	Price Volatility
		8	Midterm I
6		13	Duration and Convexity
		15	Spot and Forward Rates
7		20	Term structure
		22	Portfolio Management, Passive
8		27	Portfolio Management, Active
		29	Repo
9	Nov	3	Forward
		5	Eurodollar Futures
10		10	Midterm II
		12	Swap
11		17	Options on Bond
		19	Futures on Bond
12		24	Reading
		26	Thanksgiving Break
13	Dec	1	MBS
		3	TBA