Fixed Income Securities: Course Outline

Lecturer: Dr Ioannis Oikonomou
Credits: 3
Total of Direct Contact Teaching Hours: 36 hrs
Weekly Teaching Hours: 6 hrs
Pre-request for attending the Course: elementary economics, corporate finance at medium
                                        level and advanced math
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MAIN AIMS OF THE COURSE

The module provides a broad overview of the most important fixed income securities, the financial markets in which they trade and their participants. It places particular emphasis not just on the pricing of the core instruments but also on their uses for return seeking investors and risk managers. The course attempts to increase students' market awareness using real-world examples related to the fundamental themes presented.

The weekly structure of the module comprises of a two-hour lecture by the Module Leader where the main concepts and methods are introduced, followed by a two-hour practical seminar which provides a more in-depth analysis of the topics and focuses on applications.

LEARNING OUTCOMES FOR THE COURSE

The course aims to contribute towards the academic and professional development of students. In particular, the module provides opportunities for students to acquire or develop in-depth knowledge and understanding, skills and other attributes in the following areas:

(A) Knowledge and Understanding

1. A broad understanding of the nature, principles, and functions of fixed income security markets.

2. A very good comprehension of the fundamental pricing principles and methods of fixed income financial instruments.

3. A critical evaluation of the risks associated with different types of bonds.

4. An awareness of credit rating systems and a good knowledge of the determinants of credit risk.

(B) Cognitive skills

5. Problem solving ability in regards to creating and assessing a bond portfolio.

6. Critically analysing the factors that contribute to the determination of bond prices and bond price volatility.

(C) Other Skills and Attributes (Practical/Professional/Transferable)

7. A working knowledge of using Excel spreadsheets for valuing fixed income securities, assessing related risk exposures and hedging such exposures.

8. Developing a market awareness concerning the issuance, usage, investment and trading of bonds and money market instruments.

MAIN TOPICS OF STUDY:

Topic 1: Overview of fixed income instruments, markets and participants

Topic 2: Money market instruments

Topic 3: Essential financial arithmetic and introduction to conventional bonds

Topic 4: Pricing of conventional bonds

Topic 5: Risks Associated with Investing in Bonds

Topic 6: Duration, convexity and hedging bond positions

Topic 7: Corporate bonds and credit analysis

Topic 8: Callable, puttable and convertible bonds

Topic 9: Bond portfolio management

TEACHING AND LEARNING METHODS/STRATEGIES USED TO ENABLE THE ACHIEVEMENT OF LEARNING OUTCOMES: these might include lectures, seminars, tutorials, practicals, workshops, laboratories, distance learning, projects or other methods (please specify).

This module is structured as follows:

☐ A two-hour introductory lecture on the topic per week
☐ A two-hour practical seminar per week
☐ Private time of study of 10 hours per week is recommended

ASSESSMENT METHODS WHICH ENABLE STUDENT TO DEMONSTRATE THE LEARNING OUTCOMES FOR THE MODULE (please provide the length/duration of each assessment listed):	WEIGHTING:
3 hours unseen-paper examination	100 %

INDICATIVE READING LIST:

The topic covered in the course is extensive and there is a lot of literature related to it. Naturally, many of the textbooks cover material far beyond the scope of this module.

Essential recommended reading:

1. The Handbook Of Fixed Income Securities, Eighth Edition (2012) by Frank J. Fabozzi and Steven V. Mann. ISBN: 9780071768467

2. Fixed Income Markets: Management, Trading and Hedging (2014) by Moorad Choudhry (David Moskovic and Max Wong (Author) ISBN-13: 978-1118171721

Additional topical reading will provided according to recent market developments as the course progresses.