PG Course Outline

EC5340: Fixed Income Securities and Derivatives
2016/17

AIMS
This course provides an overview of a very significant area of the contemporary financial world. The first part gives coverage of the important elements of the default free fixed income securities market and the second part covers the derivatives market. The course focuses on the analytical tools used in portfolio management and risk management. For bond portfolios these tools include yield curve construction, duration, convexity and formal term structure models. For derivatives, the emphasis will be on valuation, trading mechanisms and management of credit risk.

LEARNING OUTCOMES
By the end of this course, students should:
- be conversant with the types and features of fixed income securities available;
- demonstrate confidence in pricing bonds and applying the analytic tools;
- demonstrate familiarity with the family of basic derivatives available in the market;
- be able to critically evaluate the suitability of specific derivatives in hedging risk given a particular situation;
- demonstrate confidence in pricing derivatives and construct hedges.

COURSE DELIVERY
One 2-hour lecture and one 1-hour seminar every week over a 10-week period.

ASSESSMENT
Formative assessment:
- Weekly problem sets and classes provide feedback. There will be one collaborative take home assignment that will receive a grade and standardized feedback, although it will not have a formal weight. However it must be completed.

Summative assessment:
- One 2-hour exam taken in the summer term which contributes 75% of the final mark
- One hour mid-term test during term contributing 25% of the final mark.
Coursework deadlines and dates of tests will be confirmed in the Departmental Student Handbook and on the Economics Department Website.

**READING**
The main textbooks for the course are:

**WEEKLY TIMETABLE**
1. Overview of Fixed Income Securities
2. Bond Valuation
3. Interpreting Bond Yields
4. Term Structure of Interest Rates
5. Forward Contracts
6. Futures
7. Introduction to Options and Bond Options
8. Risk Management or Credit Derivatives
9. Options Strategies and Valuation
10. Going Further with Fixed Income Derivatives