

Summer School Lisbon Syllabus

Subject:

FIXED INCOME MARKETS

Overview:

The bond market in the United States is worth roughly \$40 trillion while the U.S. stock market has a value of less than \$20 trillion. Overall, the global bond market is worth about \$100 trillion. Given the large magnitude of this fixed income market and the fact that both governments and corporation issue bonds on a regular basis, this course is aimed to explain the fundamental rules and practices of this global market.

Lecturer:

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Course Structure:

Course Title: FIXED INCOME MARKETS
Department: Finance
Target: Undergraduate Level
Pre-requisites: None
<p>Objectives: The main purpose of this course is to enable students to understand the mechanisms of the bond markets, use immunization strategies and use curve fitting techniques.</p> <p>At the end of the course, the students will be able to:</p> <ul style="list-style-type: none"> • Value and formulate a trading decision for a bond • Compute the rate of return of an investment in the bond market. • Implement immunization strategies. • Estimate and interpret a yield curve.
<p>Program:</p> <ul style="list-style-type: none"> • The bond market: Concepts and characteristics. • Spot rates, forward rates, and discount factors. • Fair value and trading rules: Fixed versus floating rate bonds. • Rates of return: Yield to maturity and realized rate of return. • Rating and credit risk. • Volatility, duration and convexity. • Immunization: Single period immunization; Multi-period immunization. • Estimation of the yield curve: Bootstrap in the Money-Market; Nelson-Siegel.
<p>Grading:</p> <ul style="list-style-type: none"> • Group Project: 30%; • Final Exam: 70%
<p>Readings:</p> <ul style="list-style-type: none"> • Lecture Slides • Other papers and news articles (supplied before classes)
<p>Bibliography:</p> <ul style="list-style-type: none"> • Fabozzi, F. J. (2015), <i>Bond Markets, Analysis and Strategies</i>, 9th edition, Pearson. • Martellini, L., Priaulet, P. e Priaulet, S. (2003), <i>Fixed-Income Securities: Valuation, Risk Management and Portfolio Strategies</i>, John Wiley & Sons. • Saunders, A. e Cornett, M. M. (2008), <i>Financial Institutions Management: A Risk Management Approach</i>, 6th edition, Irwin/McGraw-Hill, Chapters 7, 8, 9 and 24. • Tuckman, B. (2002), <i>Fixed Income Securities: Tools for Today`s Markets</i>, 2nd edition, John Wiley & Sons.