
Capital University of Economics and Business

Overseas Chinese College

Course Syllabus

<u>Year and Semester</u>	2022 Spring
<u>Course Name</u>	Fixed Income
<u>Course Code</u>	FI304
<u>Course Type</u>	<input type="checkbox"/> General Education(Required) <input type="checkbox"/> General Education (Elective) <input type="checkbox"/> Professional Course (Required) <input type="checkbox"/> Professional Course (Elective) <input checked="" type="checkbox"/> Basic Disciplinary Course
<u>Course Credits</u>	3
<u>Course Hours</u>	48
<u>Prerequisites</u>	None
<u>Instructor</u>	Tao Bing
<u>Contact Information</u>	Tao Bing: Mingbian Building 317 Tele: (010)8395 2852 Email: bingtao@cueb.edu.cn
<u>Office Hour</u>	Tao: T 8:50-9:35 W 8:30-9:35 Th 8:30-9:35
<u>Learning Centre</u>	W 8:30-9:35; Th 8:30-9:35
<u>Grade/Section</u>	2019BA
<u>Course Time/Place</u>	2019 BA T 9:55-12:20/ Bo Xue Building 204

Textbook

Bond Markets, Analysis and Strategies (8e), Frank J Fabozzi, Prentice Hall

Course Description

This course provides students with a complete and systematic theory and knowledge of fixed income securities. Through the study, students will master the basic knowledge and investment theory of bond issuance and bond circulation, the mechanism of bond market operation, cash flow and income analysis, risk measurement of fixed income securities, bond investment technology and investment strategies. It is hoped that through this arrangement of course content, students will be able to take up jobs in relevant investment fields in the future after learning this course, and have basic fixed-income securities investment analysis capabilities.

Student Learning Objectives

Knowledge

- ◆ Know the basic concept of bonds, such as issuer, holder, coupon rate, term to maturity, various

types of embedded options

- ◆ Know the history of bond market, and the different sectors of bond market
- ◆ Know the risks associated with investing in bonds, such as interest-rate risk, reinvestment risk, call risk, credit risk, volatility risk
- ◆ Familiar with the pricing of the bond, especially the pricing of floating-rate and inverse-floating-rate securities, and the pricing of bonds of embedded options

Capability

- ◆ Understand the determinants of the shape of the term structure: pure expectations theory, the liquidity theory, the preferred habitat theory, and the market segmentation theory
- ◆ Calculate and interpret the duration and convexity of a bond
- ◆ Analyze the price of a bond of embedded options when the market interest changes

Mindset

- ◆ Respect the market, the rule of law, the profession, and the risk
- ◆ Do things that are within your power circle and expand your power circle.

Teaching Methods

This course contains lectures, class discussions, homework, quizzes, presentation and exams. Textbook content will be introduced first. Then real case and practice questions will be delivered to students as a way to test their understanding of the knowledge. This will require individual or group assignment in or after class.

Grade Criterion

Component	Weight	Description
Final Exam	20%	A cumulative final examination will be given based on all of the contents of the class. The exam paper may be composed of multiple-choice questions, short answer questions, essay questions, problems, and preparation of financial statements. Students should rely primarily on homework assignments to give them a sense of what they may see for material on exams.
Mid-Term Test	20%	An accumulative midterm test will be given based on all of the contents that have been taught in class. The test paper may be mainly composed of multiple-choice questions.
Homework	15%	Most of the assigned homework is taken from the Exercises in the textbook. Assignments will be collected at the clearly stated date. Late assignments will not be accepted. The graded assignments will be kept by the tutor for reference and won't be returned to students.
Quizzes	15%	There will be at least 2 quizzes during the semester. Quizzes may or may not be announced in advance. It may also be used as a way to check the attendance. Quizzes will test your knowledge of both concepts and the application of those concepts.
Presentation	10%	The students will be divided into several groups to prepare a presentation. Each student is required to be involved in the presentation. The topics can be selected from the textbook or lectures. Each group need to finish a PPT related to the topic which is given and hand in the related resources

		to the teacher before the presentation.
Participation	10%	Individuals will be asked to participate individually in a question and answer at least 5 times during the semester. The performances should be counted in their participation.
Attendance	10%	Refer to attendance policy listed below
Total	100%	

Detailed Grade Computation

	Before Midterm	After Midterm
Attendance	5%	5%
Participation	5%	5%
Homework	5%	10%
Quizzes	5%	10%
Presentation		10%
Midterm test	20%	
Final exam		20%
Total	40%	60%

Grading Policy

A+ 97-100 A 93-96 A- 90-92 B+ 87-89 B 83-86 B- 80-82
 C+ 75-79 C 70-74 C- 67-69 D+ 63-66 D 62-60 F 0-59

Exam Schedule

Midterm Test: Apr. 25-29;

Final Exam: June 20-24

Assessment of Student Performance

Self-Study and Reading ability Practice

Instructor will give out the chapters or the reference books to read and use class hours to have discussion; students should be able to show a proactive attitude and ability for self-study and reading. Knowledge and oral English will be elements of homework or presentation score.

Homework

Students should finish their homework by themselves. Copying from others will be treated as cheating and the homework scores will be lowered. Students should hand in all assignments on time. Late assignments will be accepted at the discretion of the instructor (i.e., when the student was ill or had an excused absence). Late assignments without reasonable proof will be reduced in score by 50%.

Attendance

Because the course covers a great deal of material, attending every class session is very important for performing well.

- ◆ Being late for 15 minutes or more is considered an absence.
- ◆ Five hours or above of unexcused absences will result in the lower level of the final grade by one grade band (e.g. from C – to D +). Any excused absence must be discussed directly with the teacher.

♦ Absence which is more than 1/3 of the total teaching hours will cause an F (a failing grade) directly.

but students are welcome to continue attending classes.

♦ An incomplete grade (I) will be considered in case of medical or family emergencies.

Participation

♦ Students should participate in classes actively. Half of participation grade is determined by their presentation in class. They are encouraged to ask questions relevant to the subject and express their own opinions. Every student should respect the ideas, opinions, and questions of their classmates.

♦ Students should also use office hours to ask questions or talk with the instructor for good communication and effective learning.

♦ Frequent visiting the instructor and chatting in English during office hours is highly recommended.

♦ Any misbehavior and non-class related activities in class will result in the lower level of the participation grade, including ringing cell phones.

♦ All above behaviors will be solely evaluated by the instructor for scoring.

Textbook

Students must bring the textbook to class.

Topical Course Outline

Week	Date	Topics	Homework
1	March 1	<ul style="list-style-type: none"> ● Syllabus ● Chapter 1 	—
2	March 8	<ul style="list-style-type: none"> ● Chapter 2 1. The relationship of price and the required yield of a bond 2. The relationship between coupon rate, required yield, and price 	Online homework for Ch2
3	March 15	<ul style="list-style-type: none"> ● Chapter 3 1. Calculate the current yield, yield to maturity, yield to call, yield to put, and cash flow yield 2. Use horizon analysis to assess the potential return 	Online homework for Ch3
4	March 22	<ul style="list-style-type: none"> ● Chapter 4 1. Calculate and interpret the Macaulay duration, modified duration, and dollar duration of a bond 2. How price change estimated by duration can be adjusted for a bond's convexity 	Homework for Ch4
5	March 29	<ul style="list-style-type: none"> ● Chapter 5 1. The term structure of interest rates 2. Know the various theories about the determinants of the shape of the term structure 	Homework for Ch5
6	April 5	Qing Ming Festival	—
7	April 12	<ul style="list-style-type: none"> ● Chapter 15 1. how asset-backed securities are created 2. the different types of structures 	Homework for Ch15
8	April 19	Chapter 16 1. Appraisal methods the characteristics of an interest-rate	Homework for Ch16

		model: drift, volatility, and mean reversion 2. calculate historical volatility	
9	April 26	● Midterm Test ● Discuss about the Subprime Crisis	—
10	May 3	Labor Day Holiday	—
11	May 10	● Chapter 17 1. the price–yield relationship for a callable bond 2. what an option-adjusted spread is and how it is calculated using the binomial method	Homework for Ch17
12	May 17	● Chapter 19 1. the basic features of a convertible security 2. conversion value, market conversion price, conversion premium per share, conversion premium ratio, and premium over straight value of a convertible bond	Homework for Ch19
13	May 24	● Chapter 20 1. the major areas of bond credit analysis: covenants, collateral, and ability to pay 2. the relationship between corporate bond credit analysis and common stock analysis	Homework for Ch20
14	May 31	● Chapter 21 1. two basic types of credit risk models: structural models and reduced form models 2. the differences in the two major reduced-form models: Jarrow-Turnbull model and Duffie-Singleton model	Homework for Ch21
15	June 7	Presentation I (5-7 groups)	—
16	June 14	Presentation III (3-4 groups) Final revision	—

Note:

Some chapters or sections may leave for self-study, this is the students' duty to learn and understand, they may also be included in the quizzes or exams.

A review in Chinese may be held during L.C. and O.H. in the semester.

Teacher's Office Hour

- ◆The instructor's office hour is shown in the front of the office door.
- ◆Students are suggested to use the instructor's office hour and learning center to ask questions or talk with the instructor once at least per week for good communication and effective learning, which is recorded in the students' participation.
- ◆The time can be scheduled by instructors or students, or both.

Cheating and Plagiarism

Cheating is not tolerated. Any student caught cheating on a quiz; test or exam will be given a mark of zero (0) for the particular work. At the beginning of the semester the definition of plagiarism will be carefully explained, when any thoughts or writings of another person are used, they must be clearly identified (usually one uses quotation marks) and the source notes. **If any student is caught cheating on any homework assignment, the highest score the student can earn in that course is a "C".**

Important Dates

Spring Semester, 2022**Feb 27, 2022— July 17, 2022**

Feb.27	Registration
Feb.28	Classes Begin
Mar.4	Last Day to Drop or Add a Course
Apr.5	Qing Ming Festival
Apr.22	Spring Sports
Apr.25 -29	Midterm Test (tentative)
May 1	Labor Day
June 3	Dragon-Boat Festival
June 20-24	Sophomore and Junior students' Final Exam
June 27-July17	Sophomore and Junior students' Social Practice
July11-15	Revision and Final Exam Period
July 18	Summer Vacation Begins

***Note:** This syllabus is tentative and may be changed or modified throughout the semester. All students will be notified and a new syllabus will be given.*

Instructor:**Department Head:**