FIN 652-35: Fixed Income Securities

Syllabus, Fall 2022

Instructor: Stefanos Delikouras

University of Miami, 514-L Jenkins Building, Coral Gables, FL 33124

phone: (305) 284-1864   *email:* `sdelikouras@bus.miami.edu.`

course website: FIN652-35 on Blackboard.

Class Meetings

MoWe, 1:15 AM – 3:15 PM; In-class Lectures, Room: Stubblefield 308.

Textbooks

Bodie, Kane, and Marcus (BKM), Pearson, 10th Edition.

Corporate Finance by Berk and DeMarzo (BDeM), Pearson, 4th Edition.

ZOOM Office Hours

Monday, 8:00 PM – 10:00 PM and By Appointment.

Important Guidelines for Health Safety against COVID-19

- **Face Coverings:** Face coverings are strongly encouraged during class sessions.

- **Testing:** Any student experiencing symptoms consistent with COVID-19 should contact the University's hotline at 305-243-ONEU for the Coral Gables campus, and be tested.

Important Guidelines for Video Recordings and Class Attendance

- **Video Recordings:** Students are expressly prohibited from recording any part of this course. Meetings of this course might be recorded by the University. Any recordings may be available to students registered for this class as they are intended to supplement the classroom experience. Students are expected to follow appropriate University policies and maintain the security of passwords used to access recorded lectures. Recordings may not be reproduced, shared with those not in the class, or uploaded to other online environments. If the instructor or a University of Miami office plans any

other uses for the recordings, beyond this class, students identifiable in the recordings will be notified to request consent prior to such use.

- **Copyright:** Professor Delikouras is the copyright owner of the courseware; individual recordings of the materials on Blackboard and/or of the class sessions are not allowed; and such materials cannot be shared outside the physical or virtual classroom environment.

- **In-Class Attendance:** Physical attendance in the classroom is required as scheduled. If at some point in the semester you cannot physically attend class sessions due to illness, injury, or other approved absence, you must contact me. In the case of illness or quarantine, you may have access to video recordings of the class. However, the class will NOT be streamed live. Unexcused absences from the classroom may affect your grade or lead to failing the course.

- **Smartphones and Tablets:** The use of smartphones and tablets are strongly prohibited during exams. The use of smartphones is also prohibited during lectures.

Course Objectives

This is the graduate-level fixed income securities class at the Miami-Herbert Business School. The purpose of this course is to equip students with the fundamental tools for a good understanding of fixed income securities from the perspective of a wealth manager, a financial manager, or an investment banker. This course is also designed to provide a foundation for subsequent and concurrent coursework in derivatives.

Covered Topics

This course covers trading and valuation of a wide variety of fixed income securities including corporate, municipal, and Treasury pure discount bonds, coupon bonds, floating rate notes, bond embedded options, mortgages, interest rate swaps, currency swaps, equity swaps, and interest rate options. The course focuses on analytic tools used in bond portfolio management and interest rate risk management. These tools include spot rates, forward rates, credit spreads, duration and convexity, yield curve construction, and term structure models.

Honor Code

All students must comply with the University of Miami and Miami Herbert Business School policies for conduct and academic honesty at all times during this course. Any violations of

these policies will result in referral to the appropriate administrative body.

Special Accommodations

If you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of the course, the assignments, and the online activities may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities to help us determine appropriate accommodations. I will treat information you provide as private and confidential. If you are planning to miss a lecture due to religious reasons you need to notify me within three days within the first three days of classes.

General Guidelines

- **Lecture Notes:** Lecture notes will be posted on the course web site (Blackboard) **prior** to the lecture date.
- **Readings:** You are expected to complete the required readings **before** each class. The readings for each class include lecture notes, relevant sections from the textbook, and additional resources posted on Blackboard.
- **EXCEL:** For this class, you are expected to familiarize yourselves with EXCEL. EXCEL is the easiest way to answer the questions in the problem sets and the exams.
- **Problem Sets:** There will be roughly four group problem sets and an individual one. You need to upload your completed problem sets on Blackboard prior to the specified deadline. I will not accept problem sets submitted past the deadline.
- **Active Participation:** During lectures, I like to ask a lot of questions.

Difficult Topics: If you find certain sections of the course difficult, do not panic! You should discuss these topics with me and your colleagues.

Continuous Feedback: I encourage you to give me feedback about course material, teaching style, and anything else that would help you understand finance concepts better. We can always arrange for a one-to-one ZOOM meeting if you have any concerns and/or suggestions.

Examinations and Grading

- **Exams:** There will be **two** exams:
  - **Midterm Exam: Monday, November 7th 2022**.
  - **Final Exam: Wednesday, December 7th 2022**.

I will be discussing what to expect in the exams during lectures. Time permitting, I will also hold a review session before each exam.

- The **Midterm** exam is scheduled for **November 7th, 2022** during regular class time in our regular classroom.

- In case you cannot attend the **Midterm** exam due to an emergency, you have to obtain **prior** permission from me and present proof of such emergency. If you miss the Midterm exam for a valid reason, I will **shift** the grading weights so that your score in the Final exam will also count as the score of your Midterm exam. There is NO make-up exam for the Midterm.

- The **Final** exam is scheduled for **December 7th, 2022** during regular class time in our regular classroom.

- In case you cannot attend the **Final** exam due to an emergency, you have to obtain **prior** permission from me and present proof of such emergency. If you miss the Final exam for a valid reason, I will schedule a make-up exam.

- A score of zero will be assigned if you miss an exam without legitimate reason or prior communication. There will be no make-up exams for students who miss exams without a legitimate reason.

- **Grading Policy:**
    - Maximum possible score for this class: **100 points**.
    - *Final Exam:* **30 points** of your grade.
    - *Midterm Exam:* **30 points** of your grade.
    - *Group Problem Sets:* **40 points**. There will be roughly four problem sets. For these problem sets, you will work in groups, which I will assign. You will get the full 20 points if you turn in **ALL** problem sets answered correctly in a clean and presentable way, showing considerable effort for **ALL** questions. Problem sets are the best way to practice for the exams.

- **Grade Distribution:** Your grades will be curved at the end of the course. Following the guidelines of the Miami Herbert Business School, the grade distribution will be curved so that the average grade is around **B**.

- **No Extra Credit Assignments:** There will not be any extra assignments designed to compensate for low grades in exams. This is a university-wide policy, and there will not be exceptions to this rule under any circumstances.

- **Use of Calculators and Laptops during Exams:** Each student will have his or her own calculator or laptop to use during exams. **Sharing** of files during exams is **NOT** permitted.

How to Study for the Class?

- Mainly focus on the lecture notes and problem sets.
- Read the BKM and BDeM textbooks for background information and get a broader perspective on the topics covered in class.
- Use the problem sets to gain further understanding of the basic concepts. Most of the exam questions will be **similar** to the problem sets.
- The only way to learn the material in this class is to try to solve all the assigned problems sets individually.
- To solve the problems in the problem sets and in the exams you need to familiarize yourself with EXCEL.

Tentative Topics - Important Dates

1. Introduction;
   Suggested Readings: Syllabus

2. Time Value of Money, 10/17/2022;
   Suggested Readings: BDeM, Chapter 4.

3. Time Value of Money, 10/19/2022;
   Suggested Readings: BDeM, Chapter 4.

4. Bond Characteristics, 10/24/2022;
   Suggested Readings: BDeM, Chapter 6; BKM, Chapter 14.

5. Bond Valuation, 10/26/2022;
   Suggested Readings: BDeM, Chapter 6; BKM, Chapter 14.

6. Default Risk, 10/31/2022; Group Problem Set 1 Due.
   Suggested Readings: BDeM, Chapter 6; BKM, Chapter 14.

7. Term Structure of Interest Rates, 11/2/2022;
   Suggested Readings: BDeM, Chapter 6; BKM, Chapter 15.

8. **Midterm Exam: 11/7/2022, Regular Class Time, In-class.** Group Problem Set 2 Due.

9. Theories of the Term Structures, 11/9/2022;
   Suggested Readings: BKM, Chapter 15.

10. Duration and Convexity, 11/14/2022;
    Suggested Readings: BKM, Chapter 16.

11. Bond Portfolio Management, 11/16/2022;
    Suggested Readings: BKM, Chapter 16.

12. Interest Rate Futures, 11/28/2022; Group Problem Set 3 Due.
    Suggested Readings: BKM, Chapter 22.

13. Swaps, 11/30/2022;
    Suggested Readings: BKM, Chapter 22.

14. **Final Exam: 12/7/2022, Regular Class Time, In-class.**

This is only a TENTATIVE list of topics and problem sets that I plan to cover during the semester. I may ADD or DELETE topics and problem sets from this list or MODIFY the corresponding problem set due dates and exam dates and times as the semester progresses. You are responsible for any changes I announce in class.