

Introduction to Fixed Income Securities and Derivatives

Learning Objective: After taking this tutorial participants will have an understanding of the investment characteristics of all securities traded in the major sectors of the fixed income market and the fundamentals of how market players measure return and risk. Participants will also have an understanding of the basic features of interest rate derivatives.

Typical Schedule

Day 1:

Registration: 8:55-9:00am

Class: 9-4:30, Lunch: 12-1

Day 2:

Class: 8:30-12:30

COURSE OUTLINE:	(continued)
<p>Basic features of fixed income securities</p> <ul style="list-style-type: none"> • The importance of cash flow in valuing bonds <p>Risks associated with fixed income investing</p> <ul style="list-style-type: none"> • Credit risk, reinvestment risk • Interest rate risk, call risk <p>Yield measures and their limitations</p> <ul style="list-style-type: none"> • Yield to maturity, yield to call, yield to worst <p>Understanding bond price volatility</p> <ul style="list-style-type: none"> • Characteristics of a bond that affect price volatility • Duration as a measure of price volatility <p>The Treasury market</p> <ul style="list-style-type: none"> • Discount versus coupon Treasury securities • Stripped Treasury securities • TIPS <p>The corporate bond market</p> <ul style="list-style-type: none"> • Call, refunding and sinking fund provisions 	<p>Municipal securities</p> <ul style="list-style-type: none"> • Types of municipal bonds <p>Mortgage-backed securities</p> <ul style="list-style-type: none"> • Mortgages and prepayment risk • Mortgage passthrough securities • Collateralized mortgage obligations • Stripped securities <p>Asset-backed securities</p> <ul style="list-style-type: none"> • Types of ABS • Cash flow characteristics • Credit risk <p>New structures</p> <ul style="list-style-type: none"> • Step up callable bonds • Inverse floating rate notes <p>Collateralized borrowing</p> <ul style="list-style-type: none"> • Repurchase agreements • Dollar rolls • Securities lending <p>Interest rate derivatives</p> <ul style="list-style-type: none"> • Products: futures/forward contracts, options, swaps, caps/floors • Risk and return characteristics