The Cameron School of Business at University of St. Thomas

1. Course Information
Course Title: Fixed Income Securities  
Course number: 5346  
Credit hours: 3  
Semester: Spring 2018
Course Section: N
Prerequisites: FINA 5318
Room #: Malloy 020
Days & hours: Wed 7:00 - 9:45 pm
BlackBoard site: https://blackboard.stthom.edu/webapps/blackboard/content/listContentEditable.jsp?content_id=_1275287_1&course_id=_29534_1&content_id=_1275311_1

2. Instructor Information
Name: Dr. Yiying Cheng
Office location: Welder 206
Office phone: 713-525-2108
Emergency phone: 401-339-9820
E-mail: chengy@stthom.edu
Where to leave assignments: BlackBoard
Fax number: 713-525-2110
Office Hours: MW 1:00 -3:00 PM, 4:30 -5:30 PM; Th 2:30-3:30 PM and by appointment

3. Course Catalog Description
The purpose of the course is to analyze fixed income securities of various types, with payments being fixed or floating and dependent upon market benchmarks, such as the LIBOR. A primary focus of the course is the valuation, risk, and return of fixed income securities. Additionally, it covers the concepts of duration, convexity, and the term structure of interest rates as they apply to bond portfolio immunization strategies. Additional topics include yield curves and spreads, credit ratings, capital structure, leverage, default, and recovery risks. Prerequisite: FINA 5319 or approval of Dean, Associate Dean or Department Chair.

4. Program Goals
The Master of Science in Finance program has five goals.

When students complete the MSF degree at the University of St. Thomas:

Goal 1. Core of Finance Knowledge

Objective 1. Demonstrate competency in the field by linking core financial knowledge with financial and business environments to draw valid conclusions.
**Objective 2.** Demonstrate competency in conducting financial research and analyses.

**Goal 2.** Analytical and Critical Thinking Skills

**Objective 1.** Demonstrate skills in analyzing financial reports.

**Objective 2.** Evaluate data thoroughly

**Goal 3.** Ethical Awareness

**Objective 1.** Identify ethical standards and accountability as applicable to the financial regulations and financial aspects of business decisions

**Objective 2.** Apply ethical standards and accountability to the financial regulations and financial aspects of business decisions

**Goal 4.** Global Awareness

**Objective 1.** Demonstrate knowledge of dynamic global financial markets

**Objective 2.** Develop portfolio strategies of allocating global financial assets

**Goal 5.** Leadership and Communication Skills

**Objective 1.** Graduates will develop and deliver a compelling oral presentation grounded in relevant information and facts.

**Objective 2.** Graduates will write professional quality documents.

**Objective 3.** Graduates will foster teamwork and clarify roles and responsibilities.

**5. Course Learning Objectives**

Upon finishing the course I expect that you can:

- Master the basic concepts of bond mathematics: yields, duration, and convexity (Goal 1, Goal 2)
- Understand the concepts and the determinants of term structure. (Goal 1, Goal 2)
- Understand various sectors and participants in the fixed income security market, including the sovereign, mortgage backed, and international markets. (Goal 1, Goal 4)
- Grasp the structure and valuation of bonds with embedded options. (Goal 1, Goal 2)
6. Texts, Readings, Materials

Required text citation:
Bond Markets, Analysis and Strategies, 9th ed or more recent editions By Frank J. Fabozzi

Required reading: As posted on Blackboard

Supplementary material:
Wall Street Journal

7. Instructional methods:
- Lecture, Q&A
- Group discussion/Problem solving
- Peer review/critic
- You are also encouraged to use Bb discussion so that peer students and I can add to the discussion any time.

8. Use of Technology
1) Online data retrieval and/or research:
   Various data sources including FRED St. Louis Fed webpage;
   Data collection at Bloomberg terminal
2) Online communication or collaboration
   BlackBoard Forum; BlackBoard Collaborative Ultra
3) Use of general productivity software (e.g., Microsoft Office) to complete assignment
   Excel, Word
4) Use of BlackBoard learning platform

9. Course Tentative Schedule:

<table>
<thead>
<tr>
<th>Dates</th>
<th>Tentative topics</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>24-Jan</td>
<td>Introduction to the fixed income Securities</td>
<td>Ch 1</td>
</tr>
<tr>
<td>31-Jan</td>
<td>Bond valuation and yields</td>
<td>Ch 2, 3</td>
</tr>
<tr>
<td>7-Feb</td>
<td>Bond price volatility -- duration and Convexity</td>
<td>Ch 4</td>
</tr>
<tr>
<td>14-Feb</td>
<td>Bond price volatility -- duration and Convexity</td>
<td>Ch 4</td>
</tr>
</tbody>
</table>
21-Feb | Factors affecting Bond yields and the term structure of interest rates | Ch 5
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28-Feb | Term structure of interest rates - Review | Ch 5
7-Mar | Treasury and Federal Agency Securities | Ch 6
14-Mar | Spring Break | ------
21-Mar | Midterm exam (closed book) | ------
28-Mar | Federal Agency Securities (Guest Speaker?) | Ch 6
4-Apr | Corporate Bond | Ch 7
11-Apr | Municipal securities, International Bond | Ch 8,9
18-Apr | Mortgage Backed Securities | Ch 11
25-Apr | Bonds with Embedded Options: using interest rate model | Ch 17, 19
1-May | Presentation | ------
5/9/2017 | Final Exam (non-cumulative), case study due | 7:00 pm - 9:30 pm

The above schedule and procedures in this course are subject to change based on the progress we make in class, opportunities for guest speakers or attendance at topical events, and in the event of circumstances beyond the instructor's control. The most up-to-date schedule is the one on Blackboard.

10. Course Policies

1) Open feedback
To better my teaching, I require that you please give me feedback by: 1) fill out informal surveys throughout the semester; 2) email me; 3) private talk. Please try to avoid open discussion of feedback in the middle of class, as it takes up precious class time.

I may also survey you informally during the semester to see the progress on my teaching goals.

2) Attendance/lateness – regular class
Attendance is an essential part of class participation, full and prompt attendance is expected for all students. Some class activities are designed specifically for the number of students in class, so please inform me way ahead of time if you expect to miss part of a class. Attendance will be taken various forms and will count towards part of your semester grade (please see the Student Grading Processes). However, if you miss more than three classes, your semester grade, at my discretion, will be down one letter grade (A- to B-). If you miss six classes, the grade is automatically F.
3) **Class Participation**

Participation is a part of course work designed for this class. You are required to show concentration and full participation in all class activities, including notes taking (yes, you read it right!), discussion, constructive questions and comments, trying to solve problem in class, and presentations.

Note that private discussion or chatting or giggling with your peers are discouraged and will be viewed as destructive for the learning environment. Please respect the class by not doing so.

4) **Make-up Exams**

Make up exams will not be given unless you convince me with hard evidence that the circumstance is inevitable. In this case, I may arrange an alternative test (which is not the same as the original test to be fair) and grade accordingly.

5) **Assignments**

Two assignments as well other in-class assignments will be given throughout the semester. They are designed to deepen your understanding of class material and help you prepare for the exams. Assignments will be assigned on BlackBoard, with an email notice specifying the due date. Students MUST submit their answer through BlackBoard.

The collection of all assignment questions will serve as review material for the exams. Answers will be posted on BlackBoard after the due date of last HW set.

No late assignment will be accepted. Make-up assignments will only be considered if there are medical reasons prohibiting the prompt completion.

6) **Term project**

A case study will be assigned after midterm. The case study will be worked out by groups. It is due on the last day of class (the exam day).

7) **Cell phones, electronic media**

- During lectures – Please be nice to me and other students by refraining from using ANY electronic media during the class, including cell phones, tablets and so on, except for studying purpose.
- During exams – Cell phones and electronic devices will be kept in your own bag, which will be put at the podium of the classroom.
8) **Plagiarism and Academic Integrity Certificate** is required before submitting any assignment. You must complete the online tutorial, "Plagiarism and Academic Integrity at UST," at http://www.stthom.edu/libtraining/ustplagiarism/ustplagiarism.htm Read the tutorial carefully and answer all quiz questions. When you have received a passing quiz score (70%), you will be allowed to fill your name in to a certificate of completion. Fill in your complete name, print the certificate, and submit it by end of this semester. Keep this certificate in case instructors from other courses require it. If you do not pass the quiz questions, you will need to retake the tutorial until you do.

9) **Small Tasks for Small Scores (3 Completed Activities = 3% of your grade)** In order to (1) bolster the student’s performance in courses in the business school and (2) better prepare students for their professions and careers after school, faculty in CSB set aside a small part of the total score in each course for small tasks/workshops. Each student is required to complete a minimum of three (three hours total) workshops. In doing so, CSB will provide numerous workshops for all students taking CSB courses (the complete list of workshops is available on BB). As can be seen in the list, the workshops are being offered by different academic support services on campus and the workshops on computer applications are being offered through an online provider (www.lynda.com).

- Workshops are being offered during the activity period and in the evening on weekdays in the Fall semester.
- Workshops are also being offered online via Lynda.com through the Houston Public Library.
- While the students have to complete a minimum number of workshops per semester, the same workshops could be used for various courses.
- Students need to attend a workshop lasting at least one hour to complete one activity. For instance, if a student decides to take a half hour session in an on campus workshop, she/he then needs to take an additional half hour session on something else to complete one required activity

11. **Student Grading Processes: (including weighting of factors)**

There are one midterm exams, one final exam, two homework assignments and one term paper.
Course grading break down:
HW Assignments 12%
Midterm 30%
Final 30%
Term project 15%
Attendance/class participation 10%
Small task and small points: workshops 3%

Grading Scale:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A</td>
<td>93-100</td>
</tr>
<tr>
<td>A-</td>
<td>90-92</td>
</tr>
<tr>
<td>B+</td>
<td>87-89</td>
</tr>
<tr>
<td>B</td>
<td>84-86</td>
</tr>
<tr>
<td>B-</td>
<td>80-83</td>
</tr>
<tr>
<td>C</td>
<td>70-79</td>
</tr>
<tr>
<td>F</td>
<td>below 70</td>
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12. Available Support Services:

- **Tutorial Services Center (TSC)**
  The Tutorial Services Center offers assistance to all current UST students in a variety of content areas, including academic subjects, general concepts, and writing skills. Tutors are available anytime the center is open. The TSC offers on-site tutoring, online tutoring, and tutorial workshops. Office hours and schedules can be found at [http://www.stthom.edu/public/index.asp?page_ID=100289](http://www.stthom.edu/public/index.asp?page_ID=100289). Please contact the center at 713-525-3878 or tutoring@stthom.edu.

- **CSB Tutorials**
  The Cameron School of Business offers tutoring in business subjects. Please visit [http://libguides.stthom.edu/cameron](http://libguides.stthom.edu/cameron) (under the “CSB Tutorial Services” tab) for the most current tutorial schedule and available subjects.

- **Information Technology Services**
  The UST IT Solution Center offers assistance with technical issues related to general computer issues, software, email, passwords, MyStThom, and blackboard. Manuals, contact information, and discounted software and hardware purchase information may be found at [http://www.stthom.edu/Offices_and_Services/Information_Technology/Index.aqf](http://www.stthom.edu/Offices_and_Services/Information_Technology/Index.aqf).
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MISSION STATEMENT

Inspired by the Basilian Fathers’ motto of Goodness, Discipline and Knowledge, the Cameron School of Business provides a comprehensive, high quality, ethically oriented business education to a diverse student body enabling graduates to serve as leaders of faith and character in a global economy.

ACADEMIC HONESTY
Ethical conduct is essential to a community of scholars and students searching for truth. Anything less than total commitment to honesty and honorable conduct undermines the efforts of the entire community. Academic integrity lies at the very heart of any institution of higher learning. In the Cameron School of Business, students and faculty are expected to commit to a code that exemplifies each individual's honor and integrity. Any conduct that violates this standard and betrays the respect of others is a matter of grave concern and, accordingly, is deemed unacceptable.

The tests/exams will be individual efforts. Student may work together on homework assignments, but must submit their own assignments.

The penalty for an incident of academic dishonesty is, at the discretion of the professor, either a mark of zero for the work in question or the grade of F for the course.

ACCOMMODATIONS
The University of St. Thomas abides by the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973, which stipulates that no student shall be denied the benefits of an education "solely by reason of a handicap.” If you have a documented disability that may impact your performance in this class and for which you may require accommodations, you must be registered with and provide documentation of your disability to Counseling and Disability Services which is located
on the second floor of Croker Center. Contact Debby Jones or Rose Signorello at 713-525-6953 or 713-525-3162.
Any student with a documented disability needing academic adjustments or accommodations is requested to speak with me during the first two weeks of class. All discussions will remain confidential.