

**STEPHEN M. ROSS SCHOOL OF BUSINESS
UNIVERSITY OF MICHIGAN**

**FINANCE 609
FIXED INCOME SECURITIES AND MARKETS**

Syllabus: Fall 2006

INSTRUCTOR: Robert Dittmar
OFFICE: E6616
OFFICE HOURS: 10:30-12:00 MW
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COURSE MATERIALS:

Required: *Investments* by Zvi Bodie, Alex Kane, and Alan Marcus

Recommended readings:

- *When Genius Failed: The Rise and Fall of Long-Term Capital Management*, by Roger Lowenstein
- *Big Bets Gone Bad: Derivatives and Bankruptcy in Orange County*, by Philippe Jorion
- *Liar's Poker*, by Michael Lewis
- *Moneyball: The Art of Winning an Unfair Game*, by Michael Lewis

Recommended: Class notes on Ctools

COURSE DESCRIPTION:

This course provides an introduction to fixed-income securities, markets, and investment strategies. The course covers basic fixed-income securities and their associated markets, such as Treasury securities, interest rate swaps, corporate bonds, credit derivatives, mortgage-backed securities, CMOs, and emerging market debt. In the course, we will discuss fundamental economic principles and useful analytical tools for understanding and analyzing fixed-income securities. These include theories of the term structure of interest rates, bond mathematics, duration, convexity, and other related concepts. In addition, we will also discuss some popular passive and active fixed-income investment strategies. For the active strategies, I will focus on several popular fixed-income arbitrage strategies.

COURSE ADMINISTRATION, POLICY, AND PEDAGOGY:

The specific grading policy follows:

Homework	40%
Final Exam	50%
Attendance and Participation	10%

The final grade will be assigned according to the policy of the business school:

Low Pass $\leq 5\%$
Pass $\leq 25\%$
Good $\leq 40\%$
Excellent $\leq 35\%$

I will adhere strictly to this policy by ranking students based on their scores and applying the above percentile cutoffs to the ranking.

COURSE OUTLINE:

- Class I (10/30)
 - Topics
 - * Introduction, Course Overview, Fixed Income Securities and Risks
 - * The U.S. Treasury Market
 - Assignment 1, Due 11/6
- Class II (11/6)
 - Topics
 - * Bond Mathematics
 - * Yield Curve Analysis
 - Assignment 2, Due 11/13
- Class III (11/13)
 - Topics
 - * Corporate Bonds
 - * Credit Derivatives
 - Assignment 3, Due 11/20
- Class IV (11/27)
 - Topics
 - * Mortgage-Backed Securities
 - * Collateralized Mortgage Obligations
 - Assignment 4, Due 12/4
- Class V (12/4)
 - Topics
 - * Interest Rate Derivatives
 - Assignment 5, Due 12/11

- Class VI (12/11)
 - Topic
 - * Fixed Income Trading Strategies
- Final Exam (12/18)