

FIN7190 (A01) (3.0 CH)
FIXED INCOME SECURITIES
SUMMER 2022

INSTRUCTOR

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COURSE DESCRIPTION

This course introduces you to fixed income securities and markets. Topics covered include: debt securities, risks of investing in bonds, the pricing of fixed income securities, the measurement of interest rate risk, the term structure and volatility of interest rates, introduction to asset-backed securities, credit analysis and portfolio management. A notable feature of this course is that it is based on the Chartered Financial Analyst (CFA) curriculum, thus preparing you for writing the fixed income parts across Level I and Level II (with a touch of Level III) of the CFA exams. This course is both rich in content and fast in pace. Therefore, significant out of class work is required for all students.

COURSE OBJECTIVES

This course provides students with comprehensive knowledge covering major topics in fixed income. Students are expected to understand theories and model applications of fixed income securities and its related topics, including interest rates and term structure, fixed income derivatives, and factors that corporate, as well as investors should consider when making decisions on fixed income securities. On course completion, you should be able to:

- *Understand the defining elements of fixed-income securities and their markets.*
- *Estimate the risk and expected returns for fixed income instruments, with emphasis on interest rate risk and credit risk.*
- *Theory and application of bond evaluation.*
- *Analyze the term structure of interest rates and yield spreads.*
- *Evaluate fixed-income instruments with embedded options and unique features.*
- *Understand interest rate dynamics.*
- *Types, characteristics, and risk of securitization investments.*

AACSB Assurance of Learning Goals and Objectives – Masters of Finance

The Asper School of Business is proudly accredited by AACSB. Accreditation requires a process of continuous improvement for the School and our students. Part of “student improvement” is ensuring that students graduate with the knowledge and skills they need to succeed in their careers. To do so, the Asper School has set the **learning goals and objectives** listed below for the **MFIN Program**. The checked goal(s) and objective(s) will be addressed in this course and done so by means of the items listed next to the checkmark.

	Goals and Objectives in the MFIN Program	Goals and Objectives Addressed in this Course	Course Item(s) Relevant to these Goals and Objectives
1	Proficiency in Asset Valuation: Knowledge and understanding of the principles, theories, and applications of asset valuation.		
	A. Demonstrate knowledge and ability to apply asset valuation models.	√	Lecture
	B. Demonstrate knowledge and ability to apply asset pricing models.	√	Lecture
2	Proficiency in Portfolio Construction and Management: Knowledge and understanding of the principles, theories, and applications of portfolio construction and management.		
	A. Demonstrate knowledge of theories and applications of asset allocation.		
	B. Demonstrate an understanding of the theories and approaches of risk management and its applications.	√	Lecture
	C. Demonstrate an understanding of financial markets, instruments, asset classes, and trading environment.	√	Lecture
	D. Demonstrate an ability to apply behavioural finance models in portfolio construction and management.		
3	Ethical Mindset: Consideration of ethical issues in financial analysis and management.		
	A. Demonstrate an understanding of the role of ethics in financial decision-making.		
	B. Demonstrate a knowledge of the CFA Institute’s <i>Code of Ethics</i> and the <i>Standards of Professional Conduct</i> .		
4	Communication Ability: Ability to communicate effectively and clearly, both verbally and in writing, in a professional context.		
	A. Communicate in a clear and concise manner.		
	B. Communicate in a coherent and logical manner.	√	Lecture

COURSE MATERIALS

1. **Textbook:** Fixed Income Analysis, fourth edition, Barbara S. Petitt, Jerald E. Pinto, and Wendy L. Pirie (edited), John Wiley & Sons, Inc., 2019. ISBN 9781119627289

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2. **Lecture notes** - Lecture notes, Homework assignments, and quizzes will be available on the course's UM learn site. ~~Students~~ Students are responsible for checking UM learn and downloading the relevant material before each class.
3. **Computer** - Students are required to use their computer for Quizzes.
4. **Financial Calculator:** A financial calculator is **required** for this course. If you will pursue the CFA designation in the future, note that only two types of calculator are currently allowed for the CFA exams:
 - the Texas Instruments BA II Plus or BAI Plus Professional (recommended)
 The course will be instructed with TI BA-II Plus Professional.

COURSE FORMAT AND ONLINE ACCESS

This course will be taught in-person, unless there's a directive from the university that requires us to move to remote delivery. We will observe the health-related safety protocol mandated by the university. Please check the [COVID-19 Updates](#) webpage of the university and the [COVID-19 health and safety protocols](#) to know what is expected of you. The university's policy is also provided later in this course outline.

TECHNOLOGICAL REQUIREMENTS

In the event health mandates or the instructor falling sick for an extended period require switching to remote delivery of classes, you will need a device enabled with a camera and microphone. Further, you will have to be in a location with a stable Internet connection that is strong enough for streaming video.

For exams that will be administered via the Respondus Lockdown browser, you will need a device (computer or iPad; note that smartphones and Chromebooks will not work) with one of the following operating systems:

Windows 10 or 8 (note: will not work with Windows 10S)

MacOS 11.1+ to 10.12

iPad iOS: 11.0+ (will not work with other tablets)

Memory: 2 GB RAM

Hard Disk Space: 200 MB of free hard disk space for program files

You will need the Chrome browser. Other browsers such as Safari will not work.

COURSE ASSESSMENT

Student progress will be assessed as follows:

Assignments	5 @ 6% each	30%
Quizzes	5 @ 6% each	30%

Final Exam	Cumulative	40%
Total		100%

1. Homework Assignments

There will be **five** assignments throughout this course. Assignments, along with their due dates are available on UM Learn. In case that a due date change, announcement will be made both in class and through UM Learn announcement. Each assignment may involve problem-solving and short answers questions covering topics discussed in class. All assignments must be submitted **individually** in the assignment folder. Please make sure that your writing is **legible**. Assignments are due **11:59pm** on the assignment due date. Late assignments will **NOT** be accepted. If your assignment is late, you will receive a mark of zero (0) on that assignment. You may submit your assignment early before the due date.

2. Quizzes

During this course, there will be one quiz on assigned dates, conducted via UM Learn, testing the content covered last week and in the most recent assignment. There is no cheat sheet allowed during the exam and students are expected to recall formulas from memory during the quiz unless specified otherwise. The quiz will be structured and timed in a similar manner of CFA exam.

3. Exams

There will one cumulative final for this course. The exam will be closed book. Students are permitted to bring in one 8.5 by 11-inch sheet of paper on which they can write anything on both sides. You should begin preparing your "formula" sheet immediately. Formula sheets must be hand written (both sides permitted). NO word-processed or photocopied material is allowed on your formula sheet. However, please keep in mind that in a CFA exam, no formula sheet is allowed and you are expected to memorize all formulas and concepts.

If you miss a final examination for medical or compassionate reasons, you may be granted a deferred examination. Travel plans are not an acceptable reason to miss examinations. **University or the Undergraduate/Graduate Office of the student's home faculty/school, as appropriate, can arrange a deferred examination for you.**

The governing documents regarding Final Exams and Final Grades can be found here:
http://umanitoba.ca/admin/governance/governing_documents/academic/1299.html

Final grades will be assigned on your total mark and relative percentile ranking to other students in the class disregard of section difference. Tentative grading scheme is provided as following:

Percentile Ranking (100% being highest)	Grade	GPA	Performance
Of all the students who get 50% or over in total mark in the course:			
95.00%-100.00%	A+	4.5	Excellent
70.00%-94.99%	A	4.0	Very Good
40.00%-69.99%	B+	3.5	Good
10.00%-39.99%	B	3.0	Satisfactory
0%-9.99%	C+	2.5	Marginal
Of all the students who get less than 50% in total mark in the course:			

Total Mark 49.99 and below	F	0.0	Unsatisfactory
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NOTE: Class attendance is required. Missing more than 20% of this course due to absences may result in a failing grade. It is your responsibility to inform your professor in advance of your absence and the reason for it (medical documentation or employer note if away for a work commitment) is required. The professor decides how to deal with the impact of missed classes on your final grade.

COURSE SCHEDULE

TENTATIVE COURSE SCHEDULE:

You will find that the course progresses quickly and the material covered builds on earlier material. It is important to stay current in your studies. Otherwise you will not understand the new material as it is presented. If you read the text in advance of the relevant classes, you will have a much better chance of keeping pace with the material. It is the **student's responsibility** to read the assigned material **prior** to the relevant class.

Lecture	Topic	Chapter	Dues
May 2	Fixed-Income Securities: Defining Elements Fixed Income Markets	Ch. 1 & Ch. 2	
May 4	Introduction to the Fixed Income Valuation	Ch. 3	
May 9	Understanding Fixed Income Risk and Return	Ch. 5	Assignment 1 Quiz 1
May 11	The Term Structure and Interest Rate Dynamics	Ch. 7	
May 16	The Term Structure and Interest Rate Dynamics Arbitrage-Free Valuation Framework	Ch. 7 & 8	Assignment 2 Quiz 2
May 18	Valuation and Analysis: Bonds with Embedded Options	Ch. 9	
May 23	Victoria Day, No Class		
May 25	Valuation and Analysis: Bonds with Embedded Options Introduction to Asset Backed Securities	Ch. 9 & 4	Assignment 3 Quiz 3
May 30	Fundamentals of Credit Analysis	Ch. 6	
Jun 1	Credit Analysis Models	Ch. 10	Assignment 4 Quiz 4
Jun 6	Fixed Income Portfolio Management	Ch. 12 & 13	
Jun 8	Fixed Income Portfolio Management	Ch. 12 & 13	Assignment 5 Quiz 5
Final Exam: TBA			

Professional Conduct

Students are expected to demonstrate professional conduct for the duration of the course. Some aspects of this include the following: attending each class and arriving on time, restricting discussions in class to the current course material, keeping mobile phones in the "off" or "silent" modes, and not placing or answering calls, text messages, or emails during class time. Unprofessional conduct is disruptive to the learning environment and makes mastering the course material more difficult for all students. Please obtain the permission of the instructor prior to audio/video-recording a lecture.

ACADEMIC REGULATIONS AND STUDENT SERVICES

HUMAN ETHICS APPROVAL FOR DATA COLLECTION

As part of coursework, if you will be collecting data from people who are not students in this class, you must obtain Human Ethics approval from the UofM's Research Ethics Board (REB) prior to data collection. This applies to data collection such as surveys, interviews, focus groups, experiments, video recording, etc., where a respondent is solicited for participation.

If the entire class will be working on the same project, your instructor will apply for human ethics approval from the REB. If individuals or small groups of students will be working on different projects, it is the responsibility of the students to obtain approval (only one group member needs to apply). Your instructor will tell you whether s/he will be or you need to. When in doubt, please talk to your instructor.

Instructions and forms to apply for human ethics approval can be found at:

http://umanitoba.ca/research/orec/ethics/human_ethics_REB_forms_guidelines.html.

In most cases, you will be using the "Protocol Submission Form" which is under the "REB Forms - Fort Garry Campus" heading.

It can take up to six weeks to process human ethics applications and obtain approval. Therefore, plan early. Note that approval must be obtained prior to data collection and cannot be obtained during the data collection phase or retroactively. Violation can get you, your instructor, and the Asper School in serious trouble with the REB.

If you will be collecting data only from other students in the class, you do not need REB approval. If you have any questions, please contact humanethics@umanitoba.ca or your instructor.

UNCLAIMED ASSIGNMENT POLICY

Pursuant to the FIPPA Review Committee's approved recommendations of August 15, 2007, all unclaimed student assignments will become the property of the faculty and will be subject to destruction six months after the completion of any given academic term.

STUDENT SERVICES AND SUPPORTS

The University of Manitoba provides many different services that can enhance learning and provide support for a variety of academic and personal concerns. You are encouraged to visit the below websites to learn more about these services and supports. If you have any questions or concerns, please do not hesitate to contact your instructor or the Graduate Program Office.

For Information on...	...follow this link
Course Outlines, Year-at-a-Glance, Concentrations, Textbooks, VW Dates and Final Exams	MFIN Course Information
Help with research needs such as books, journals, sources of data, how to cite, and writing	Library Resources
Tutors, workshops, and resources to help you improve your learning, writing, time management, and test-taking skills	Writing and Learning Support
Support and advocacy for students with disabilities to help them in their academic work and progress	Student Accessibility Services
Copyright-related questions and resources to help you avoid plagiarism or intellectual property violations	Copyright Office
Student discipline bylaws, policies and procedures on academic integrity and misconduct, appeal procedures	Academic Integrity
Policies & procedures with respect to student discipline or misconduct, including academic integrity violations	Student Discipline
Students' rights & responsibilities, policies & procedures, and support services for academic or discipline concerns	Student Advocacy
Your rights and responsibilities as a student, in both academic and non-academic contexts	Your rights and responsibilities
Full range of medical services for any physical or mental health issues	University Health Service
Information on health topics, including physical/mental health, alcohol/substance use harms, and sexual assault	Health and Wellness
Any aspect of mental health, including anxiety, stress, depression, help with relationships or other life concerns, crisis services, and counselling.	Student Counselling Centre
Support services available for help regarding any aspect of student and campus life, especially safety issues	Student Support Case Management
Resources available on campus, for environmental, mental, physical, socio-cultural, and spiritual well-being	Live Well @ UofM
Help with any concerns of harassment, discrimination, or sexual assault	Respectful Work and Learning Environment
Concerns involving violence or threats, protocols for reporting, and how the university addresses them	Violent or Threatening Behaviour

ACADEMIC INTEGRITY

I.H. Asper School of Business, The University of Manitoba

It is critical to the reputation of the I. H. Asper School of Business and of our degrees that everyone associated with our faculty behaves with the highest academic integrity. As the faculty that helps create business and government leaders, we have a special obligation to ensure that our ethical standards are beyond reproach. Any misconduct in our academic transactions violates this trust. The University of Manitoba Graduate Calendar addresses the issue of academic misconduct under the heading "Plagiarism and Cheating." Specifically, acts of academic misconduct include, but are not limited to:

- using the exact words of a published or unpublished author without quotation marks and without referencing the source of these words
- duplicating a table, graph or diagram, in whole or in part, without referencing the source
- paraphrasing the conceptual framework, research design, interpretation, or any other ideas of another person, whether written or verbal (e.g., personal communications, ideas from a verbal presentation) without referencing the source
- copying the answers of another student in any test, examination, or take-home assignment
- providing answers to another student in any test, examination, or take-home assignment
- taking any unauthorized materials into an examination or term test (crib notes)
- impersonating another student or allowing another person to impersonate oneself for the purpose of submitting academic work or writing any test or examination
- stealing or mutilating library materials
- accessing tests prior to the time and date of the sitting
- changing name or answer(s) on a test after that test has been graded and returned
- submitting the same paper or portions thereof for more than one assignment, without discussions with the instructors involved.

Many courses in the I. H. Asper School of Business require group projects. Students should be aware that group projects are subject to the same rules regarding academic misconduct. Because of the unique nature of group projects, all group members must exercise extraordinary care to insure that the group project does not violate the policy on Academic Integrity. Should a violation occur on a group project, all group members will be held jointly accountable, no matter what their individual level of involvement in the specific violation.

Some courses, while not requiring group projects, encourage students to work together in groups (or at least do not prohibit it) before submitting individual assignments. Students are encouraged to discuss this issue as it relates to academic integrity with their instructor to avoid violating this policy.

In the I. H. Asper School of Business, all suspected cases of academic misconduct involving a graduate student (i.e. MBA, MFin, MSCM, MSc or PhD student) will be reported directly by the instructor to the Dean of the Faculty of Graduate Studies.

UNIVERSITY OF MANITOBA COVID-19 HEALTH & SAFETY POLICY

April 8, 2022

The University of Manitoba (the “UM”) is committed to maintaining a safe learning environment for all students, faculty, and staff. Should campus operations change because of health concerns related to the COVID-19 pandemic or other campus-wide emergency, it is possible that this course will move to a fully remote delivery format. Should the instructor be required to stay at home for an extended period and an alternate instructor not be available, the course may move temporarily to a remote delivery format.

Mask Wearing

In a face-to-face environment, our commitment to safety requires students to observe all Covid guidelines set by the University (<https://umanitoba.ca/coronavirus>)

While on campus and in class, you must wear masks as stipulated in current [University policies, procedures, and guidelines](#). The University highly recommends the use of KN-95 masks; the minimum requirement is a ATSM Level 2 Medical mask. Both mask types are available at many locations on campus.

Students who fail to comply are subject to disciplinary action in accordance with the [Student Discipline Bylaw](#) and the [Non-Academic Misconduct and Concerning Behaviour Procedure](#).

If you do not follow masking requirements, you will be asked to leave the learning space and may only return to the class already in progress when you have complied with this requirement. Repeated issues will result in disciplinary action as previously noted.

Students should not eat or drink during class time.

Illness

Remember: **STAY HOME IF YOU HAVE SYMPTOMS OR ARE ILL**. If you become ill we highly recommend that you [self-isolate](#); you should notify your instructor by email so you can develop a plan to complete the course learning outcomes while you are absent.

What to do if you become ill while at UM:

1. Leave the classroom, lab, or workspace immediately. Continue to wear your mask while leaving the premises and/or while waiting for transportation.
2. Perform hand hygiene (soap and water or hand sanitizer) and avoid contact with others and minimize contact with the physical environment.
3. Once at home, complete the [MB self-assessment](#) and follow the directions that are provided.
4. Inform your instructor(s) or, if in residence, the appropriate individual.

5. Please remain off-campus and all UM facilities until cleared to return in accordance with self-assessment, testing results, and UM recommended isolation procedures.

Recommended transportation options (in order):

1. Drive yourself home.
2. Pick-up by family or friend – remember to keep your mask on and to distance as much as possible, and where possible, open a window to improve ventilation.
3. Pickup by taxi/Uber:
 - Remain masked and perform hand hygiene before entering the vehicle.
 - Avoid touching the inside of the vehicle
 - Keep your mask on for the duration of the ride
 - Where possible, open a window to improve ventilation.
4. Winnipeg Transit buses – We recommend that you do not use Winnipeg Transit in this situation.

FACULTY BIOGRAPHY

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Dr. Ying Zhang is an Associate Professor of Finance and received her Ph.D.in Finance from Concordia University. She is also a CFA charterholder and currently serves on the CFA Society Winnipeg board as the Ethics Challenge Chair.

Dr. Ying Zhang has taught a variety of finance courses including Corporate finance, Investment, and Financial modeling. Her research interests include corporate governance, financial restatement, executive compensation, and market microstructure. Her work has been published in refereed journals such as Journal of Corporate Finance, Journal of Business Finance and Accounting, Journal of International Financial Markets, Institutions, & Money, and the Journal of Multinational Financial Management. She has presented her works at primary academic conferences, and served as ad hoc reviewer for several academic journals and conferences. She is the recipient of Associates Achievement Award for Research and Engagement, and Best paper award on Trading by the Toronto Stock Exchange.