Fixed income markets

ECTS : 6

Description du contenu de l'enseignement :

This course aims at presenting the fundamental principles of fixed income investments. It starts with a description of debt securities, debt markets, and risks associated with investing in corporate and sovereign bonds. The course recalls the traditional valuation model of bonds and explains how to measure bond returns. It explains the relations between yields, spot interest rates, and forward rates, and presents the interest rate term structure. It studies the measurement of interest rate risk and the impact of credit risk on corporate bond valuation. The course also addresses the arbitrage-free valuation approach.

Compétence à acquérir :

At the end of this course, students should know:
- how to price non-sophisticated fixed income securities with the traditional approach and the no-arbitrage approach,
- which risks affect bond portfolios and how to appraise them,
- how to measure interest rate risk with duration and convexity,
- how to derive zero-coupon rates and forward rates from a yield curve,
- the main theories explaining the interest rate term structure.

Mode de contrôle des connaissances :

Tutorial participation: 20% Final exam: 80%

Bibliographie, lectures recommandées :

Adams, James F., and Smith, Donald J., Fixed Income Analysis, 5th edition, 2022, Wiley, CFA Institute Investment Series.

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