

Villanova University
Villanova School of Business
FIN 2227—Fixed Income Markets and Instruments
Fall 2007

Instructor: Dr. Shawn Howton Office: 3011 Bartley
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Office Hours: T-Th 1:00-2:30 or by appointment

Prerequisites: ACC 1101, FIN1113 and Junior or Senior standing

****Note:** It is the student's responsibility to be certain that the prerequisites have been successfully completed. If at any time during the semester it is determined that the student has not completed the prerequisites, the student can be administratively dropped from the course without credit or tuition refund

Required Materials:

Frank Fabozzi, *Bond Markets, Analysis, and Strategies*, 6/e, Prentice Hall, 2007.

My website: www.homepage.villanova.edu/shawn.howton

Course Description: An overview of the fixed income markets and instruments within those markets. Focus is on valuation and analysis of fixed income instruments and the roles of different participants within the fixed income markets.

Statement on Disabilities: It is the policy of Villanova to make reasonable academic accommodations for qualified individuals with disabilities. If you are a person with a disability please contact me after class or during office hours and make arrangements to register with the learning support office by contacting 610-519-5636 or nancy.mott@villanova.edu as soon as possible. Registration is needed in order to receive accommodations.

Course Objectives:

1. Provide an in depth analysis of all segments of the fixed income markets.
2. Examine roles of fixed income market participants
3. Provide an overview of how interest rates are determined and the relation between rates and prices in different segments of the markets.
4. Use real world, real time data to determine current trends and drivers in different segments of the fixed income markets.
5. Supply a very strong sense of the relevance of all of these topics in the student's future professional life and how the topics learned in this class can be applied now and in the future. Provide students access to different fixed income professionals to see the opportunities available in the fixed income markets.
6. Ethics in the fixed income markets is a key focus of the class and ethics will underlie all of the other objectives of the class.

Grading:	3 exams:	60%
	Group assignments:	25%
	Homework and quizzes	15%

Your final grade will be based upon your performance on two midterm exams and a final exam to be given during exam week as well as 3-4 group assignments described later in the syllabus and homework and quizzes. All grades are determined by the elements described above. There is no extra credit outside of these grading elements. Work from the beginning of class to earn the grade you want. The end of the semester is the wrong time to try to increase your grade.

Exams: The exams will cover all material covered in class and in the required readings. The exams will be a mix of multiple choice and essay/short answer with particular focus on the application of the material discussed in class. There will be curves on each exam when necessary. The curves will be determined for each exam and no final curve will be applied. Final grades will be assigned by curved exam scores. There will be no makeup exams. If you miss an exam, you will take a comprehensive final worth 40% of your grade. If you miss both midterms you will receive a grade of zero on one of the exams.

Group Assignments: These assignments will involve applications of the topics covered in class. They will use the resources available in the Finance lab. Assignments will range from credit market analysis to bond pricing issues using real time data. The assignments can be completed by groups of 2 or individually. Assignments and due dates will be presented in class and will be flexible with respect to the current environment in the credit markets. The purpose of the assignments is to provide applied learning for the topics covered in the class. These assignments should be viewed as work tasks for a job or internship and the grades will reflect the professionalism displayed by the group in completing and presenting the assignment deliverables.

Homework and quizzes: There will be 8 homework/quizzes during class. Homework must be turned in by each student in class. Homework will not be accepted either early or late unless the student has an excuse approved prior to the due date by the instructor. Homework must be typed. Quizzes will be given in the first ten minutes of class. The quizzes cannot be taken at any other time. There are no makeup quizzes. Your final homework/quiz average will be determined by averaging your seven highest quiz/homework scores.

Academic Honesty: Dishonesty only punishes honest students so any instances of academic dishonesty will be dealt with according to the following Villanova policy. Any questions or concerns should be addressed with the instructor outside of class.

Academic Integrity and Policy Code: The Code of Academic Integrity of Villanova University addresses cheating, fabrication of submitted work, plagiarism, and other forms of dishonesty. For the first offense, a student who violates the Code of Villanova University will receive a zero for the assignment. The violation will be reported to the Dean's office and recorded in the student's file. In addition, the student will be expected to complete an education program. The second offense will result in dismissal from Villanova with the reason for dismissal noted on the student's transcript.

Important dates:

MID-TERM EXAM 1: October 2nd

MID-TERM EXAM 2: November 6th

FINAL EXAM: Thursday December 20th 10:45 (10:00 class) and 1:30 (11:30 class)

Course Outline

Week 1- (8/27-8/31) Introduction and overview of the fixed income markets

Reading – Fabozzi Chapter 1

Week 2 – (9/3-9/7) Bond Pricing and Yields

Reading – Fabozzi Chapters 2 and 3

Week 3 – (9/10-9/14) Duration and Convexity

Reading – Fabozzi Chapter 4

Week 4 (9/17-9/21) – Factors affecting yields and term structure

Reading – Chapter 5

Week 5 (9/24-9/28) – Finish Section 1 and review for exam

Reading – Chapter 5

Week 6 (10/1-10/5) – Exam 1 and Treasuries and agency securities

Exam 1 is on Tuesday, October 2nd and covers Chapters 1-5

Week 7 (10/8-10/12) – Treasury and Agency Securities

Reading: Chapter 6

Week 8 (10/22-10/26)- Corporate Debt Instruments and Municipal bonds

Reading : Chapter 7 and 8

Week 9 (10/29-11/2) – Non US bonds and Residential Mortgage loans

Reading: Chapters 9 and 10

Week 10 (11/5- 11/9) Exam 2

Exam is on Tuesday 11/6 and covers chapters 6-10

Week 11 (11/12-11/16) Mortgage Pass Throughs

Reading: Chapter 11

Week 12 – (11/18 and 11/19) CMOs and CDOs

Reading: Chapter 12 and 15

Week 13 – (11/26-11/30) CMOs and CDOs