

**Syllabus: Analysis of Fixed Income**  
22:390:611:60 (51234)  
Spring, 2007 – New Brunswick

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**Office Hours:** 4:30-6:30 Tuesday and by appointment

**Class:** Tuesday 6:40-9:40, Beck 213

**Text:** Fabozzi, **Fixed Income Analysis for the CFA Program, 2<sup>nd</sup> Ed.**  
available at [http://www.efastcom.com/CFABookstore/control/productdetails?&item\\_id=063302](http://www.efastcom.com/CFABookstore/control/productdetails?&item_id=063302)

**Other Books for Reference:**

Fixed Income Securities: Tools for Today's Markets, 2nd ed. by Bruce Tuckman, Wiley.  
Understanding and Managing Interest Rate Risks, by Ren-Raw Chen, World Scientific.  
Credit Derivatives, by M. Ansen, F. Fabozzi, M. Choudhry, and R.-R. Chen, Wiley.  
Options, Futures, and Other Derivatives, 6th ed., by John C. Hull, Pearson/Prentice Hall

**Prerequisites:** Financial Management, Investment Analysis, and Statistics.

**Blackboard:** There is a Blackboard site (at [blackboard.rutgers.edu](http://blackboard.rutgers.edu)) for this course on which documents will be posted as needed. All announcements, assignments, changes, etc. are posted there. The student is responsible for remaining up to date at all times. E-mails may be sent to the e-mail address associated with your Blackboard account. It is your responsibility to make sure that that address is one that you regularly check.

**Course Description:** This is an introductory course in fixed income securities. We will discuss the markets for these securities and their derivatives. We will spend a lot of time on quantitative methods for calculating the values of securities. Determination of the risk inherent in fixed income securities and methods for managing that risk, such as hedging and credit derivatives, will also be discussed. Topics covered are listed below.

**Course Requirements:** There will be two exams, a midterm and a final. There will be weekly homework assignments consisting of reading and solving problems. Most homework problems will not be collected, but we will go over them in class as needed. If you don't at least try to do them by yourself, you will probably not do well on the exams. Homework problems to be graded will be announced in advance.

**Grading Policy:** Your grade will depend on the two exams and any graded homework. A formula will be announced later.

**SCHEDULE OF TOPICS TO BE COVERED**  
(subject to change)

<b>Date</b>	<b>Topic</b>	<b>Chapters</b> (to be read before class)
January 16	Overview of Fixed Income Securities: features and risks	1,2
January 23	Market Sectors; Yield Spreads	3,4
January 30	Bond valuation: prices, yields, and rates	5,6
February 6	Interest Rate Risk: duration and convexity	7
February 13	Term structure and volatility	8
February 20	Embedded options	9
February 27	<b>Midterm Exam</b>	
March 6	Mortgage-backed and asset-backed securities	10-12
March 20	Interest-rate derivatives	13-14
March 27	Credit risk	15
April 3	Default models	
April 10	Credit derivatives: default swaps and others	
April 17	Credit risk management	
April 24	<b>Final Exam</b>	