



# AFIN8012

## Fixed Income and Credit Analysis

Session 2, Special circumstance 2020

*Department of Applied Finance*

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#### **Disclaimer**

Macquarie University has taken all reasonable measures to ensure the information in this publication is accurate and up-to-date. However, the information may change or become out-dated as a result of change in University policies, procedures or rules. The University reserves the right to make changes to any information in this publication without notice. Users of this publication are advised to check the website version of this publication [or the relevant faculty or department] before acting on any information in this publication.

#### **Notice**

As part of [Phase 3 of our return to campus plan](#), most units will now run tutorials, seminars and other small group learning activities on campus for the second half-year, while keeping an online version available for those students unable to return or those who choose to continue their studies online.

To check the availability of face-to-face and online activities for your unit, please go to [timetable viewer](#). To check detailed information on unit assessments visit your unit's iLearn space or consult your unit convenor.

## General Information

Unit convenor and teaching staff Unit Convenor Daniel Ding <a href="mailto:daniel.ding@mq.edu.au">daniel.ding@mq.edu.au</a>
Credit points 10
Prerequisites AFIN6012 or ACST603 or ACST6003 or Admission to MFin
Corequisites
Co-badged status
Unit description This unit introduces students to the financial world of fixed income securities and their markets, explains the risks of these securities, and presents the tools used in their valuation. The unit focuses on both the theoretical and practical aspects of fixed income investment. The topics covered include analysis of fixed income securities and markets, term structure of interest rates, valuation principles of various types of fixed income securities, and portfolio management strategies using fixed income securities.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

- ULO1:** Analyse the different types of fixed income securities and their characteristics.
- ULO2:** Examine the methods of valuing different types of fixed income securities.
- ULO3:** Evaluate the roles of fixed income securities in portfolio construction and their market operations.
- ULO4:** Apply strategies and interest rate immunization in fixed income securities management.

## General Assessment Information

Assessment criteria for all assessment tasks will be provided on the unit iLearn site.

It is the responsibility of students to view their marks for each within-session-assessment on iLearn within 20 days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment tasks (not including the final exam mark) will not be addressed.

### Late submissions and extensions

Tasks 10% or less – No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved.

Tasks above 10% - No extensions will be granted. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 20% penalty). This penalty does not apply for cases in which an application for special consideration is made and approved. No submission will be accepted after solutions have been posted.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Homework Submission</u>	20%	No	2 random weeks
<u>Group Report</u>	30%	No	Week 12
<u>Final Examination</u>	50%	No	During University Examination Period

### Homework Submission

Assessment Type <sup>1</sup>: Practice-based task

Indicative Time on Task <sup>2</sup>: 18 hours

Due: **2 random weeks**

Weighting: **20%**

Two online submissions of homework assessments. Due dates will be provided in iLearn.

On successful completion you will be able to:

- Analyse the different types of fixed income securities and their characteristics.
- Examine the methods of valuing different types of fixed income securities.
- Evaluate the roles of fixed income securities in portfolio construction and their market

operations.

- Apply strategies and interest rate immunization in fixed income securities management.

## Group Report

Assessment Type <sup>1</sup>: Report

Indicative Time on Task <sup>2</sup>: 30 hours

Due: **Week 12**

Weighting: **30%**

The project will cover quantitative and qualitative research on a case study. Students will be required to work in groups and produce a report of between 2,000 to 2,500 words. 50% of the marks will be allocated to individual performance.

On successful completion you will be able to:

- Analyse the different types of fixed income securities and their characteristics.
- Examine the methods of valuing different types of fixed income securities.
- Evaluate the roles of fixed income securities in portfolio construction and their market operations.
- Apply strategies and interest rate immunization in fixed income securities management.

## Final Examination

Assessment Type <sup>1</sup>: Examination

Indicative Time on Task <sup>2</sup>: 20 hours

Due: **During University Examination Period**

Weighting: **50%**

A two hour online open book final examination will be held during the University Examination Period.

On successful completion you will be able to:

- Analyse the different types of fixed income securities and their characteristics.
- Examine the methods of valuing different types of fixed income securities.
- Evaluate the roles of fixed income securities in portfolio construction and their market operations.
- Apply strategies and interest rate immunization in fixed income securities management.

<sup>1</sup> If you need help with your assignment, please contact:

- the academic teaching staff in your unit for guidance in understanding or completing this type of assessment
- the [Writing Centre](#) for academic skills support.

<sup>2</sup> Indicative time-on-task is an estimate of the time required for completion of the assessment task and is subject to individual variation

## Delivery and Resources

### Required Text

Fabozzi F.J. (2015) Bond Markets, Analysis and Strategies (9th Edition), Pearson Education.eBook: <https://www.pearson.com.au/9780133797145>

(Please note: the 8th edition can also be used as most of the content has not changed. Also, the eBook format is a little bit strange as some figures or tables are wrapped in different shape)

Some other research papers will also be provided on ilearn.

The timetables for classes can be found on the University website at: <https://timetables.mq.edu.au/2020/>

## Unit Schedule

Week	Week Beginning	Topic	Notes
1	27th Jul	Introduction of fixed income security and credit analysis	Chapter 1 of textbook
2	3rd Aug	Bond pricing and yields	Chapter 2-3
3	10th Aug	Bond duration and convexity	Chapter 4
4	17th Aug	Term structure and interest rate	Chapter 5
5	24th Aug	Treasury and corporate debt	Chapter 6,7
6	31st Aug	Bond with options	Chapter 18
7	7th Sept	Securitization I	Chapter 10, 11, 12
		<i>Break</i>	
8	28th Sept	Securitization II	Chapter 15

9	5th Oct	Interest rate derivatives I	Chapter 29, 30
10	12th Oct	Interest rate derivatives II and CDS	Chapter 31, 32
11	19th Oct	Bond portfolio management I	Chapter 16, 24, 25
12	26th Oct	Bond portfolio management II	Chapter 26, 27 <b>Group Report Due</b>
13	2nd Nov	Revision	

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Students seeking more policy resources can visit the [Student Policy Gateway \(https://students.mq.edu.au/support/study/student-policy-gateway\)](https://students.mq.edu.au/support/study/student-policy-gateway). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central).

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: <https://students.mq.edu.au/study/getting-started/student-conduct>

## Results

Results published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be

made available in [eStudent](#). For more information visit [ask.mq.edu.au](http://ask.mq.edu.au) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

### Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to help you improve your marks and take control of your study.

- [Getting help with your assignment](#)
- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module](#)

The Library provides online and face to face support to help you find and use relevant information resources.

- [Subject and Research Guides](#)
- [Ask a Librarian](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

If you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.