



AFIN8012

Fixed Income and Credit Analysis

Session 2, In person-scheduled-weekday, North Ryde 2023

Department of Applied Finance

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General Information

Unit convenor and teaching staff Daniel Ding daniel.ding@mq.edu.au
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

General Assessment Information

Late Assessment Submission Penalty (written assessments)

Unless a Special Consideration request has been submitted and approved, a 5% penalty (of the total possible mark) will be applied each day a written assessment is not submitted, up until the 7th day (including weekends). After the 7th day, a grade of '0' will be awarded even if the assessment is submitted. Submission time for all written assessments is set at 11.55pm. A 1-hour grace period is provided to students who experience a technical concern.

For any late submissions of time-sensitive tasks, such as scheduled tests/exams, performance assessments/presentations, and/or scheduled practical assessments/labs, students need to submit an application for Special Consideration.

Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Homework Submission</u>	10%	No	Random week
<u>Online Quiz</u>	10%	No	Week 5
<u>Group Report</u>	30%	No	Week 12
<u>Final Examination</u>	50%	No	University Examination Period

Homework Submission

Assessment Type ¹: Practice-based task Indicative Time on Task ²: 13 hours Due: **Random weeks** Weighting: **10%**

Students will provide One submission of homework assessments.

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.

Online Quiz

Assessment Type ¹: Quiz/Test Indicative Time on Task ²: 5 hours Due: **Week 5** Weighting: **10%**

The online quiz will consist of 5 to 10 questions and will be available on iLearn. Please use the quiz result as an indicator of whether you are progressing satisfactorily in the unit.

On successful completion you will be able to:

- Examine the methods of valuing different types of fixed income securities.

Group Report

Assessment Type ¹: Report Indicative Time on Task ²: 27 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.

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 ¹: Examination Indicative Time on Task ²: 20 hours Due: **University Examination Period** Weighting: **50%**

A two hour 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.

Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Online Quiz</u>	10%	No	Week 5
<u>Homework Submission</u>	10%	No	Will be noticed one week ahead
<u>Group Report</u>	30%	No	Week 12
<u>Final Examination</u>	50%	No	Final exam week

Online Quiz

Assessment Type ¹: Quiz/Test

Indicative Time on Task ²: 5 hours

Due: **Week 5**

Weighting: **10%**

The online quiz will consist of 5 to 10 questions and will be available on iLearn. Please use the quiz result as an indicator of whether you are progressing satisfactorily in the unit.

On successful completion you will be able to:

- Examine the methods of valuing different types of fixed income securities.

Homework Submission

Assessment Type ¹: Practice-based task

Indicative Time on Task ²: 13 hours

Due: **Will be noticed one week ahead**

Weighting: **10%**

Students will provide two submissions of homework assessments.

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 ¹: Report

Indicative Time on Task ²: 27 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.

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 ¹: Examination

Indicative Time on Task ²: 20 hours

Due: **Final exam week**

Weighting: **50%**

A two hour 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.

¹ 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.

² 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

Recommended textbook

Fabozzi F.J. (2015) *Bond Markets, Analysis and Strategies (9th Edition)*, Pearson Education.

(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.

A lot of our offerings from this unit are suitable for students who want to attend CFA test level 1 and 2, so you may find additional readings from CFA text book as additional knowledge.

Unit Schedule

Week	Week Beginning	Topic	Notes
1	24th Jul	Introduction of fixed income security and credit analysis	Chapter 1 of textbook
2	31st Jul	Bond pricing and yields	Chapter 2-3
3	7th Aug	Bond duration and convexity	Chapter 4
4	14th Aug	Term structure and interest rate	Chapter 5
5	21st Aug	Treasury and corporate debt	Chapter 6,7, Online Quiz
6	28th Aug	Bond with options	Chapter 18
7	4th Sept	Securitization I	Chapter 10, 11, 12
		<i>Break</i>	
8	25th Sept	Securitization II	Chapter 15
9	2th Oct	Interest rate derivatives I	Chapter 29, 30
10	9th Oct	Interest rate derivatives II and CDS	Chapter 31, 32

11	16th Oct	Bond portfolio management I	Chapter 16, 24, 25
12	23th Oct	Bond portfolio management II	Chapter 26, 27 Group Report Due
13	30st OCT	Revision	

Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](https://policies.mq.edu.au) (<https://policies.mq.edu.au>). 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](#)
- [Assessment Procedure](#)
- [Complaints Resolution Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#)

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

To find other policies relating to Teaching and Learning, visit [Policy Central](https://policies.mq.edu.au) (<https://policies.mq.edu.au>) and use the [search tool](#).

Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: <https://students.mq.edu.au/admin/other-resources/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 or if you are a Global MBA student contact globalmba.support@mq.edu.au

Academic Integrity

At Macquarie, we believe [academic integrity](#) – honesty, respect, trust, responsibility, fairness and courage – is at the core of learning, teaching and research. We recognise that meeting the expectations required to complete your assessments can be challenging. So, we offer you a

range of resources and services to help you reach your potential, including free [online writing and maths support](#), [academic skills development](#) and [wellbeing consultations](#).

Student Support

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

The Writing Centre

[The Writing Centre](#) provides resources to develop your English language proficiency, academic writing, and communication skills.

- [Workshops](#)
- [Chat with a WriteWISE peer writing leader](#)
- [Access StudyWISE](#)
- [Upload an assignment to Studiosity](#)
- [Complete the 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

Macquarie University offers a range of [Student Support Services](#) including:

- [IT Support](#)
- [Accessibility and disability support](#) with study
- Mental health [support](#)
- [Safety support](#) to respond to bullying, harassment, sexual harassment and sexual assault
- [Social support](#) including information about finances, tenancy and legal issues
- [Student Advocacy](#) provides independent advice on MQ policies, procedures, and processes

Student Enquiries

Got a question? Ask us via [AskMQ](#), or contact [Service Connect](#).

IT Help

For help with University computer systems and technology, visit 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.

Unit information based on version 2023.01 of the [Handbook](#)