New York University Stern School of Business

Debt Instruments and Markets
Syllabus for FINC-UB 26 Fall 2013

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Course Description
This course describes important fixed income securities and markets and develops tools for valuing these securities and managing interest rate risk. The course covers traditional bonds and term structure concepts, as well as fixed income derivatives and financial engineering.

Tentative Schedule of Lectures
Sep 3 Course Overview and Coupon bonds and zeroes
Sep 5 Coupon bonds and zeroes
Sep 10 Yield to maturity
Sep 12 Duration
Sep 17 Immunization
Sep 19 Convexity
Sep 24 Rate of Return
Sep 26 Forward contracts
Oct 1 Forward rates
Oct 3 Repos
Oct 8 Floating rate notes
Oct 10 Swaps
Oct 17 Swap spreads
Oct 22 Midterm
Oct 24 No-arbitrage pricing
Oct 29 Risk-neutral probabilities
Oct 31 Dynamic trading strategies
Nov 5 Financial engineering
Nov 7 Hedging, Options
Nov 12 Caps, Floors, and Collars
Nov 14 American options
Nov 19 Callable bonds
Nov 21 Swaptions
Nov 26 Mortgage market
Dec 3 Passthroughs
Dec 5 CMOs
Dec 10 Futures
Dec 12 Futures and Review

Dec 17 8-9:50: Final Exam for Section 1, TR 9:30-10:45
Dec 17 10:10-12:00: Final Exam for Section 2, TR 11:00-12:15
Course Materials
Required
Lecture notes and problem sets
Recommended

Course Requirements
Grades will be based on the following.
Class Participation (5%)
Problem Sets (5%)
Midterm (40%)
Final (50%)

Exams

You must take each of your exams as scheduled. Otherwise, with the following two exceptions, your grade for the exam will be zero.
1) In case of a legitimate, foreseeable conflict, in order to take the exam at a different time, you must make a request in writing or by email at least one week prior to the exam, and obtain my written or email permission prior to the exam.
2) In case of an emergency, you must provide formal, written verification, such as a letter from a doctor.

Weekly Problem Sets
Because the material is technical and new concepts build on old ones, it will be essential to do the problem sets in order to follow the lectures and succeed on the exams. To facilitate learning, I encourage students to work together on these problem sets. Groups of students working together should submit just one assignment. All students in the same group will get the same grade. I cannot accept late assignments.

TA Office Hours
My TAs, Siyu (Terry) Chen and Fangzhou Lu, will hold weekly office hours on Mondays at 5-5:50 PM in a reserved classroom. I encourage students to make the most of this opportunity to work together and get regular help and feedback.

Warning
The study of fixed income securities is quantitative by nature and this course will be taught very rigorously. The course will require a consistent commitment of time, energy, and concentration, both in and outside class, throughout the semester.
Grading
At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have agreed that for elective courses the individual instructor or department is responsible for determining reasonable grading guidelines.

The Finance Department has elected to use the following grading guidelines for this course and all other elective courses. Instructors should award grades of “A” or “A-” to approximately 35% of students in elective courses with enrollments of more than 25 students. In elective classes of less than 25 students, the instructor is at liberty to give whatever grades they think the students deserve, while maintaining rigorous academic standards.

Academic Integrity
Integrity is critical to the learning process and to all that we do here at NYU Stern. As members of our community, all students agree to abide by the NYU Stern Student Code of Conduct, which includes a commitment to:

• Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.

• Clearly acknowledge the work and efforts of others when submitting written work as one’s own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.

• Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

The entire Stern Student Code of Conduct applies to all students enrolled in Stern courses and can be found here: www.stern.nyu.edu/uc/codeofconduct

General Conduct & Behavior
Students are also expected to maintain and abide by the highest standards of professional conduct and behavior. Please familiarize yourself with Stern's Policy in Regard to In-Class Behavior & Expectations (http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm) and the NYU Disruptive Behavior Policy (http://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/bullying--threatening--and-other-disruptive-behavior-guidelines.html).

Students with Disabilities
If you have a qualified disability and will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter
from the Moses Center for Students with Disabilities (CSD, 998-4980, www.nyu.edu/csd) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the CSD, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation.