
Fixed Income Instruments and Markets

Overview

This course will provide delegates with a solid foundation in fixed income analysis.

Learning Outcome Statements

- Gain an overview of bond & fixed income markets and the current trends in global issuance
- Determine a methodology to structure, price and position bond and fixed income instruments to maximize investment, financing and risk management activities
- Develop an understanding of the syndicated loan process and how to create facilities to match client needs
- Examine how bond & fixed income instruments are rated and the implications of the rating
- Analyze yield curves and the implications for future interest rate movements
- Understand the differences between yield and return conventions in the fixed income market
- Calculate and use duration and convexity to measure risk and actively manage fixed income portfolios
- Customize complex interest rate swaps to meet client objectives
- Structure and price equity linked securities, structured debt products and other complex fixed income derivatives
- Construct interest rate caps and collars to manage financial risk
- Define and analyze financing and arbitrage vehicles
- Determine the impact of a securitization transaction on a company's performance measurements tools

Key Contents

- The Fixed Income Marketplace
 - Introduction to Fixed Income Markets
 - Overview of bond markets
 - Current trends in global issuance
 - Market participants and their roles
 - Treasury and Agency Securities
 - Types of government securities
 - Primary and secondary markets
 - Federal agency securities and GSEs
 - Repurchase agreements

- Overview of Corporate Debt Instruments
 - Short and Medium Term Instruments Including
 - Commercial paper
 - Medium-term notes
 - Primary and secondary markets
 - Investment grade and high yield bonds
 - Private placements and Rule 144A Securities
 - Coupon and principal variations
 - The Syndicated Loan Market
 - The syndicated loan process
 - Types of loans and credit facilities
 - Creating facilities to match client needs
 - The Ratings Agency Process
 - Review of the concept
 - Examine distinctions between agency ratings
 - Discuss the bond rating process
 - Review the ratios and formulas
 - Analyze the standard financial adjustments
 - Examine the effect of bond ratings on credit spreads
 - Consider the implications of implied ratings

- Pricing & Valuing Fixed Income Instruments
 - Bond Prices & Yields
 - Time Value of Money Fundamentals
 - Bond Pricing Using Zero-Coupon Yields
 - The Assumption of "No Arbitrage" in Modern Financial Theory
 - Yields to Maturity and Internal Rates of Return
 - Compounding Conversions
 - Total Return (Horizon Yield) Analysis
 - Understanding Yield Curves
 - Historical Patterns To Observed Yield Curves
 - Boot-Strapping Implied Zero-Coupon Rates
 - Calculating and Using Implied Forward Rates
 - Expectations Theory Versus Segmented Markets Theory: Is a
 - Bond Price Sensitivity
 - Bond Price Sensitivity To Passage of Time and Changes in Yields
 - Calculation of Macaulay, Modified, and Effective Duration Statistics
 - Calculation of Effective Convexity
 - Using Duration and Convexity to Measure Risk
 - Using Duration and Convexity as Summary Statistics for Active Management of Fixed Income Portfolios: Parallel Yield Curve Shifts, "Steeperners", "Flatteners", and "Butterfly" Shifts

- Fixed Income Derivatives
 - Forward Rate Agreements
 - Deriving the forward curve
 - Pricing and settling
 - FRAs as a building block to interest rate swaps
 - Interest Rate Swaps
 - Analytical pricing framework
 - Amortizing and forward swaps
 - Applications of advanced swap structures
 - Transaction Aspects of Swaps
 - Using mark-to-market to manage settlement risk

- Swap agreements: assignments, offsetting, unwinding
 - Gauging potential exposure
 - Interest Rate Futures
 - Treasury bill and treasury bond futures
 - Eurodollar markets
 - IRS futures
 - Yield curve strategies
 - Spread trading
 - Fixed Income Options
 - Interest rate caps, floors and collars
 - Terminology and conventions
 - Participating structures
 - Examples
 - Equity-Linked Securities
 - Overview of the market
 - Issuance characteristics
 - Pricing convertible debt
 - Deal examples
 - Pricing considerations
 - Target investors
 - Marketing role
 - Possible arbitrage opportunities
- Advanced Swaps, Structured & Securitized Product
 - Customizing Interest Rate Swaps – Beyond “Plain Vanilla”
 - Analytical pricing framework
 - Amortizing and forward swaps
 - Applications of advanced swap structures
 - Structured Debt Products
 - Structured notes
 - Floating rate notes (FRNs)
 - Reverse floaters
 - Equity-linked product
 - Basket-type structures
 - The Securitization Process
 - Cost-of-capital implications
 - Bankruptcy-remote SPVs
 - Credit enhancement methodologies and issues
 - New structures and issues
- The Asset-Backed Securities (ABS) Market Define and discuss various financing and arbitrage vehicles, including:
 - Mortgage-backed securities (MBS) and commercial mortgage-backed securities - (CMBS)
 - Credit card receivables
 - Automobile securities (CARs)
 - Asset-backed commercial paper (ABCP) conduits
 - Collateralized debt obligations (CDOs)