



Fixed Income Markets II - Evening

Continuing on from Fixed Income Markets I, this course examines the evolving products, changing marketplace and growing sophistication of the fixed income market. Building on the knowledge gained in Fixed Income Markets I, this course continues the overview of fixed income focusing on the individual markets. Treasuries, municipals, corporate securities, mortgage securities, money market instruments and Government agency paper will be covered. Both primary and secondary markets will be discussed. The session will end with an overview of analytical tools. This course will benefit traders, sales assistants, research analysts, and other fixed income specialists.

Available Session(s):

No sessions currently available. Email customerservice@nyif.com to get the next available date.

Targeted Audience

Sales personnel, junior research analysts, operations and systems staff, new entrants to fixed income markets, finance analysts and corporate bankers.

Special Offer

Clients who register for this course will receive a complimentary 6 month subscription to the Financial Times and FT.com. The Financial Times is the world's most respected financial newspaper providing a broad assessment on finance, business and the industrial sector. Subscriptions will start within 6-8 weeks of the application process, and are limited to one per client. For questions about your subscriptions call 800-628-8088 or email uscirculation@ft.com. US and Canada enrollees only.

Advance Preparation

No advance preparation required.

Prerequisites

Fixed Income Markets I or equivalent knowledge. Financial calculator required.

Follow-Up Courses

Fixed Income Mathematics - Day

Fixed Income Mathematics - Evening

Yield Curve Analysis

Level: Intermediate

CPE Credits: 24.0

Instructional Method: Group-Live

Detailed Outline

Yield Calculations

- Yield vs. return vs. interest rate
- Nominal yield
- Current yield
- Real yields
- Price and yield
- Yield to maturity

Duration analysis

- Definition
- Calculation - explained
- Interpretation
- Limitations/advantages

Modified Duration

- Application

Yield Analysis

- Impact of interest
- Sources of return
- Time value of money
- Measuring returns
- Re-setting the reinvestment rate

Value of fixed income securities

- Yield as a value measure
- Yield to maturity - components
- Yield to maturity - assumptions
- Horizon analysis

Bond pricing calculations of dollars

- Per bond basis
- Total principal

Accrued interest

- Standard payment date (6 mos./dtd date)
- Accrued interest calculations
- Relationship of accrued interest and yield

The treasury and money market

Overview of the money market

- Function of the money market
- Characteristics
- Location of market place
- General description
- Participants

The Federal funds market

- Importance of Federal funds
- Defined as a security
- Methods of Federal funds exchange

Types of money market instruments

- T Bills
- Negotiable and jumbo certificates of deposit
- Commercial paper
- Banker's acceptances
- Repurchase agreements and reverses
- Municipal short term instruments

U.S. government markets

- Origin of the U.S. debt markets
- OTC markets
- Principal business

Value of a basis point

- Definition
- Calculation
- Factors influencing price volatility

Yield curves

- Definition of yield curve
- Determinants of shape of yield curve
- Shape of yield curve and market expectations
- Spreads between yield curves

The rating services

- Moody's
- Standard & Poor's (S&P)
- Fitch Investor's Services (FITCH/IBCA)
- External research analysis firms
- Research departments

Uses for the ratings

- Ratings reflect the probability of timely payment
- Judgment - qualitative and quantitative
- Collective judgment approach
- Rating equality between rating agencies
- Compensation for rating services

Various indenture provisions

- Call provisions
- Put provisions
- Sinking fund provisions
- Refunding
- Prefunding

Additional security considerations

- Covenants of the obligation
- Third party guarantees
- Insurance or collateral

Application/interpretation of ratings

- Investment decisions
- Comfort levels
- Short term securities vs. long term securities

Contingent credit risk

Specifications

- Size
- Structure
- Volume
- Spread narrower than other markets
- Tax implications
- Depository system
- Participants

T Bills

- Size qualifications
- Discounting and calculations
- Maturity structure
- Specialty bills

T Notes

- Size qualifications
- Pricing and maturity structure
- Basic notes and auction cycles
- Specialty notes

T Bonds

- Size qualifications
- Pricing and maturity structure
- Auction cycles

Strip securities

- History
- Dealer created proprietary zero coupon certificates
- Group of primary dealers began to issue TRs
- Treasury announced strip program
- Specifications
- Trading specifications

Flower bonds

Primary market

- Closed auction - single rate auction
- Dutch auction - multi rate auction

Secondary market

- Trading segmentation
- Trading day overview and week

overview

Trading environment

- Market areas
- Market players
- Organized exchanges
- Types of trades
- Trading conventions

The municipal market

- Advantages to the issuer/borrower
- Tax considerations
- Features of municipal debt
- Legislative constraints

General obligation bonds

- Limited vs. unlimited tax
- Issuance limitations
- Voter approval
- Statutory limitations

Asset backed securities

- ABS support
- Credit enhancements
- Types of ABS other than mortgage

Revenue bonds

- Characteristics
- Payable from revenues
- No debt limitation
- Sources of revenue

History of the mortgage

- Traditional mortgage
- Government agencies
- Lenders
- Borrowers
- Insurance

Other bonds

- Special tax housing bonds
- Lease rental short terms
- Moral obligation
- IDB and PCR
- Double barreled

Types of alternative mortgages

- GPM
- ARM

Primary market

- Structures of a borrowing
- Underwriting process
- Distribution tiers
- Syndicate restrictions
- Legislative restrictions

Formation of an MBS

- Originators
- Intermediaries
- Packaging agencies
- Secondary market

Secondary market

- Trading characteristics
- Trading desks

Pricing conventions

- Factoring
- Calculating principal amount understanding
- Figuring invested dollars

Corporate bond general characteristics

Yield determinants

- Half life
- FHA experience
- Speed
- Pre-payments

Classifications

- Public utilities
- Transportation
- Industrials - catch all
- Banks and finance companies
- International or Yankee issues

Corporate debt maturity

Interest payment characteristics

- Fixed income or rate bonds special payment
- Participation bond profits or asset appreciation
- Income bond contingent on sufficient earnings
- Zeros as a corporate vehicle

Types of bonds

- Secured
- Unsecured

Unsecured

- Debenture bonds
- Subordinated debenture

Security for bonds

- Real property using a mortgage
- Personal property - may be pledged
- The type of security or lack of is usually indicated in title of the bond issue

Secured bonds

- Mortgage bond
- Collateral trust bond
- Equipment trust certificates

Convertible securities

- General overview
- Issuer's position
- Investor's advantages/disadvantages
- Terminology
- Determining various relationships

Preferred stock

- General specifications
- Issue types and issuers

Computing yield

- FHA experience
- PSA experience
- CPR

Factors affecting paydown

- Convexity
- Economic
- Interest rate environment

The CMO

- Packaging
- IO and PO strips
- WAC and WAM
- Tranches

Credit Derivatives

- Market participants
- Risks of credit derivatives

Types of credit risk

- Credit default risk
- Credit spread risk
- Downgrade risk

Credit derivatives conventions

- The basics
- Single name
- Default baskets
- Market terminology
- Conditions to payment

Asset swaps

- Mechanics of single, portfolio, index and exotic CDOs
- Pricing

Structured products

- Credit linked notes
- Collateralized debt obligations
- Collateralized loan obligations
- Collateralized bond obligations
- Synthetic CDOs

Risks of credit derivatives

- Credit

- Terms and features
- Fixed rate or variable
- Special features

- Market
 - Liquidity
 - Legal
 - Operations
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Typical asset movement scenarios (swaps)

- Riding the yield curve
- Substitution swaps (primary vs. secondary)
- Inter-market spread
- Rate anticipation
- Tax swapping

Asset holding

- Long-term investing view
- Short-term trading view
- Volatility
- Return over time

Trading strategies

- Transition from high to low yields
- Transition from low to high yields

Hedging

- Buying and selling to market expectations
- Use of derivatives as cash substitutes
- Theory of hedging

Portfolio and investing decisions

The investment management process

- Setting investment objectives
- Establishing investment policy
- Selecting the portfolio strategy
- Selecting the assets
- Measuring and evaluating performance

Overview of fixed income portfolio management

- Historical perspective

- Sources of return
- Horizon and yield curves

Overview of risks associated with fixed income securities

- Bond specific
- Portfolio risk characteristics

Portfolio management strategies

- Bond management techniques

Active portfolio management

- Overview of the active portfolio management process
- Other strategies or tactics
- Examples of active portfolios

Passive portfolio management

- Indexed bond funds: investing in the fixed income market
- Bond immunization: safe planning for future needs
- Dedicated portfolios: secure income to cover payouts
- Cash flow matching

Case studies for fun

- Barings Bank Quick study in bad management and supervision
 - Orange County
 - Daiwa Bank
 - Long Term Capital Management
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Schedule Note

There will be no class session on Wednesday, October 8, 2008 due to the Yom Kippur holiday.

For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.