

SEMESTER-VIII

DISCIPLINE SPECIFIC CORE (DSC) COURSES

DSC 20: FIXED INCOME SECURITIES

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Fixed Income Securities DSC-20	4	3	1	0	Class XII	NA

Course Objectives:

- To provide a lasting conceptual framework in which to view fixed income assets and to examine new ideas, concepts, and instruments as they evolve in the future.

Learning Outcomes:

After studying this course the student will be able:

- Understand the importance of fixed income market and how fixed income securities are structured.
- Understand interest risk and term structure
- Understand the pricing of these instruments
- Learn various strategies for investing in such instruments

Course Contents:

Unit 1: Introduction to Fixed Income Market

(9 hours)

Fixed Income Markets and its role in the Indian economy, Money market instruments and Debt market instruments. Market Regulation and the Role of regulator. Sectoral Reforms and contemporary issues. Interest Rate determination: Monetary Policies and Interest rate markets

Unit 2: Pricing Bonds

(12 hours)

Pricing of Bonds and Bond Price Theorems. Bond Yield. Spot rates and Forward rates. Yield Curve – Par yield curve and Zero-coupon yield curve. Theories of Term Structure of Interest rates. Fitting of yield curve.

Unit 3: Risks in fixed income investments**(9 hours)**

Bond Price Volatility. Interest Rate Risk and its measures. Purchasing Power Risk. Call Risk. Default risk of Bond investment.

Unit 4: Strategies for Fixed Income Assets**(15 hours)**

Passive Bond Investment Strategies. Bond Index. Active Bond Investment Strategies. Portfolio Performance measures and evaluation. Portfolio management by pensions funds and other institutions. Introduction to Structured Finance products. Securitisation. Mortgage Backed and Asset Backed Securities. Collateralised Debt Obligations. Bond and Credit Derivatives.

Essential Readings:

1. Fabozzi, F. J. (2016). Bond Markets, Analysis, and Strategies. USA: Pearson Education
2. Alexander, C. (2008). Market Risk Analysis Vol. I – Quantitative Methods in Finance. England: John Wiley & Sons.
3. Choudhry, M. (2010). An Introduction to Bond Markets. UK: John Wiley & Sons.

Additional Readings: (latest editions should be referred to)

1. Fabozzi, F. J. (2007). Fixed Income Analysis. New Jersey: John Wiley & Sons.
2. Hull, J. C. (2018). Risk Management and Financial Institutions. New Jersey: John Wiley & Sons.
3. Jorion, P. (2011): Financial Risk Manager Handbook. New Jersey: John Wiley & Sons.
4. Martellini, L., Priaulet, P., & Priaulet, S. (2003). Fixed-Income Securities: Valuation, Risk Management and Portfolio Strategies. England: John Wiley & Sons.
5. National Stock Exchange of India. (2009). FIMMDA-NSE Debt Market (Basic) Module. Mumbai: NSE.

Examination scheme and mode:

Evaluation scheme and mode will be as per the guidelines notified by the University of Delhi.