



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM430H1F

Fixed Income – Sections L0101, L0201, L0401, L2401

Course Meets: Mondays L0101 9am - 11am in WO30
L0201 11am - 1pm in WO30

Thursdays L0401 11am - 1pm in WO30
L2401

Instructor: Fotini Tolia
E-Mail: Fotini.Tolia@rotman.utoronto.ca
Office Hours: TBA in RSM 432, or by appointment
Additional office hours will be posted on Quercus

Lead TA: Adam Kadar, Adam.Kadar11@alumni.utoronto.ca

Communication: (How to reach me)

I prefer to be contacted by email at fotini.tolia@rotman.utoronto.ca and will respond within 24 hours. Please include “RSM430” in your subject line.

Course Scope and Mission

This is a capital markets course that describes important fixed income securities and markets. It will emphasize traditional bond and term structure concepts as well as current events and/or securities affecting the functioning of these markets.

Course Prerequisites

Rotman Commerce: RSM332H1; Actuarial Science: ACT349H1

Course Exclusions : None

Required Readings

Fabozzi, Frank J., Bond Markets, Analysis and Strategies, 9th Edition, Prentice Hall.
Newspaper articles to be posted on Quercus during the term.

Course Announcements

Slides, announcements, assignments and additional reading materials will be posted on Quercus (Canvas).

Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he or she has command of the course materials.

<u>Work</u>		<u>Due Date</u>
Assignment 1 (Group)	7.0%	Thursday, October 11th by 4:00 pm
Mid Term Exam	35%	date TBD
Trading Results (Individual)	6%	Friday, November 23rd by 4:00 pm
Assignment 2 (Group)	7.0%	Mon. December 3rd by 4:00 pm
Final Exam	45%	During Faculty of Arts & Science Final Exam Period

COURSE FORMAT AND EXPECTATIONS

For Written Assignments:

Please note that clear, concise, and correct writing will be considered in the evaluation of Assignments 1 and 2 as well as your Trading Report. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre (www.asc.utoronto.ca) or one of the College Writing Centres (www.writing.utoronto.ca/writing-centres). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

For Group Work:

Assignments 1 and 2 require students to work in teams of **of no more than three and no less than 2 students**. You may work with students in other sections. One assignment is then handed in for each group.

Learning to work together in teams is an important aspect of your education and preparation for your future careers. That said, project-based teamwork is often new to students; to work well in teams, it helps to follow a set of core expectations to best succeed at your team projects.

1. Read the document entitled, “Working in Teams: Guidelines for Rotman Commerce Students” which is available on the RC portal under the Academic Services tab.
2. When working in a team, Rotman Commerce students are expected to:
 - Treat other members with courtesy and respect;
 - Honour the ground rules established by the team;
 - Contribute substantially and proportionally to the final project;
 - Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
 - Meet the project timeline as established by the team.

3. Resolving conflicts:

Conflicts are part of the team's process of learning how to work together. When handled well, it can generate creativity and bring-multiple perspectives to the solution.

Student teams are expected to work through their misunderstandings as soon as they arise (and prior to submission of the final project). When teams are unable to arrive at a solution that works for all members, the team must meet with the Rotman Commerce Team Coach** as soon as possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

**For an appointment with a Rotman Commerce Team Coach, please contact Nouman Ashraf at nouman.ashraf@rotman.utoronto.ca Nouman is highly skilled at facilitating team dynamics and collaboration. Note that the Team Coach's role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

Weekly Schedule - MONDAY SECTIONS L0101-0201

The following schedule of topics covered is subject to modification as the course progresses. **We will not be following the textbook closely. Chapters are provided for reference. Class notes are key!**

Session/Date	Topic	Readings
1: Sept. 10	Overview of Fixed Income Markets: overview of the markets and participants, bond features and valuation	Chapters 1,2
2: Sept. 17	Building the Yield Curve: Government Bond Auctions - single vs. multiple price and inflation protected securities (RRBs, TIPS)- , the yield curve and interpolation, repos	Chapters 1,2,5,6 Class Notes
3: Sept. 24	Overview of Securities (fixed rate, floating rate, deferred coupon bonds) and Yield to Maturity	Chapter 2
4: Oct. 1	Other yield measures and bonds with embedded options/ Begin Spot rates and forward rates	Chapter 3, Class Notes
5: Oct. 8	THANKSGIVING MONDAY - NO CLASSES	
Thursday October 11th - Assignment #1 due by 4:00 p.m.		
6: Oct. 15	Understanding the Yield Curve Spot Rates, Forward Rates, Bootstrapping and bond stripping	Chapters 5
7: Oct. 22-26	Mid Term Exam: date TBD	
8: Oct. 29	Measuring Interest Rate Risk Duration, Convexity, PV of a basis point, basic yield curve trades	Chapter 4
9: Nov. 5-9	STUDY BREAK - NO CLASSES	
11: Nov. 12	Corporate Bond Market : Bond payment structures (bullet, amortizing and defeasance), rating agencies, shadow rating a company and bond covenant analysis	Ch. 7, 22 Class Notes
10: Nov. 19	Trading Session in FRTL - 9-11am; 11- 1 pm Go directly to the BMO Financial Research & Trading Lab	-
Friday November 23rd - Trading Summary - due by 4:00 p.m.		
12: Nov. 26	Corporate Bond Market: Offering Methods, Corporate Credit Spreads	Ch. 22/ Class Notes
Monday December 3rd - Assignment #2 due by 4:00 p.m.		
13: Dec. 3	Securitization – Structuring Basics (incl. CDO’s) , ABS	Ch. 15/ Class Notes
Possible make up class on Wednesday, December 5th - it will depend on completing course material		

Weekly Schedule - THURSDAY SECTION L0401, L2401

The following schedule of topics covered is subject to modification as the course progresses. **We will not be following the textbook closely. Chapters are provided for reference. Class notes are key!**

Session/Date	Topic	Readings
1: Sept. 6	Overview of Fixed Income Markets: overview of the markets and participants, bond features and valuation	Chapters 1,2
2: Sept. 13	Building the Yield Curve: Government Bond Auctions - single vs. multiple price and inflation protected securities (RRBs, TIPS)- , the yield curve and interpolation, repos	Chapters 1,2,5,6 Class Notes
3: Sept. 20	Overview of Securities (fixed rate, floating rate and convertible bonds) and Yield to Maturity	Chapter 2
4: Sept. 27	Other yield measures and bonds with embedded options/ Begin Spot rates and forward rates	Chapter 3, Class Notes
5: Oct. 4	Understanding the Yield Curve Spot Rates, Forward Rates, Bootstrapping and bond stripping	Chapters 5
Thursday, October 11th - Assignment #1 due by 4:00 p.m.		
6: Oct. 11	Understanding the Yield Curve Spot Rates, Forward Rates, Bootstrapping and bond stripping	Chapters 5
7: Oct. 18	Measuring Interest Rate Risk Duration, Convexity, PV of a basis point, basic yield curve trades	Chapter 4
8: Oct. 22-26	Mid Term Exam: date TBD	
9: Nov. 1	Corporate Bond Market : Bond payment structures (bullet, amortizing and defeasance), rating agencies, shadow rating a company and bond covenant analysis	Chapters 7, 22 Class Notes
10: Nov. 5-9	STUDY BREAK - NO CLASSES	
11: Nov. 15	Trading Session in FRTL - 9-11am; 11- 1 pm Go directly to the BMO Financial Research & Trading Lab	-
12: Nov. 22	Corporate Bond Market: Offering Methods, Corporate Credit Spreads	Ch. 22 Class Notes
Friday November 23rd - Trading Summary - due by 4:00 p.m.		
12: Nov. 29	Securitization – Structuring Basics (incl. CDO's) , ABS	Ch. 15/ Class Notes
Monday December 3rd - Assignment #2 due by 4:00 p.m.		

POLICY AND PROCEDURE

Missed Tests and Assignments (including midterm examinations)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within **2 business days** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

Documentation submitted in support of petitions for missing tests and assignments must be original; no faxed or scanned copies will be accepted

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a later report of illness made by the student to a physician.

Missed Mid Term Exams: **There will be no make-up midterm exam.** Students who miss the midterm exam for valid documented reasons will have grades reallocated to their final exam.

Mid Term re-grade requests: **You have 1 week after the midterm is returned to bring any questions to Adam Kadar's attention, the lead TA. Any re-grade requests received after this time period will not be considered.** Please re-submit the mid-term with a written explanation of your concerns.

Late Assignments

Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.

With appropriate documentation, late assignments may be accepted if the solution key has not been posted. Otherwise, the weight of the missed assignment will be shifted to the Mid Term Exam (in the case of Assignment 1) or to the Final Exam (in the case of Assignment 2).

Assignment re-grade requests:

If you have concerns about the grading of the assignment, please bring these to the lead TA, **Adam Kadar's attention** within one week of the assignment being returned. Re-grade requests submitted after this time period will not be considered. Please re-submit the assignment with a written explanation of your concerns.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact

Accessibility Services as soon as possible: accessibility.services@utoronto.ca or <http://www.studentlife.utoronto.ca/as>.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

The University of Toronto's Code of Behaviour on Academic Matters

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Quercus and the Course Page

The online course page for this course is accessed through Quercus. To access the course page, go to q.utoronto.ca and log in using your UTORid and password. Once you have logged in, you will be at the Quercus Dashboard. On this page you will see all of the courses you are presently enrolled in. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.