NEW YORK UNIVERSITY STERN SCHOOL OF BUSINESS
Debt Instruments and Markets
Syllabus for C15.0026.01, Spring 2009

Professor Jennifer N. Carpenter
Office: K-MEC 9-99
Office hours: Tue, Thu 3:30-4 or by appointment e-mail: carpenter@stern.nyu.edu
Phone: 998-0352, Fax: 995-4233 http://www.stern.nyu.edu/~carpenter

Course Description
The goals of this course are to describe important fixed income securities and markets, and develop tools for valuing fixed income securities and managing interest rate risk. The course covers traditional bonds and term structure concepts as well as fixed income derivatives and interest rate modeling.

Tentative Schedule of Lectures
Jan 20 Zeroes and coupon bonds
Jan 22 Zero rates and rate of return
Jan 27 Rate of return and yield to maturity
Jan 29 Yield to maturity
Feb 3 Forward contracts
Feb 5 Forward rates
Feb 10 Duration
Feb 12 Duration
Feb 17 Convexity
Feb 19 Floating rate notes and Swaps
Feb 24 No arbitrage pricing
Feb 26 Risk-neutral probabilities
Mar 3 Dynamic trading strategies
Mar 5 Midterm
Mar 10 Interest rate models
Mar 12 Hedging
Mar 24 Options
Mar 26 American options
Mar 31 Callable bonds
Apr 2 More on callable bonds
Apr 7 Swaptions
Apr 9 Introduction to credit risk
Apr 14 Mortgage-backed securities
Apr 16 IOs and POs
Apr 21 CMOs
Apr 23 Futures
Apr 28 Futures
Apr 30 Caps, floors, and collars

May 12 Final Exam 2:00-3:50 PM
Warning
The study of fixed income securities is quantitative by nature and the material in this course is very technical. Students should have a background in basic finance and should be comfortable using math and working with numbers. Please keep this in mind in deciding whether to take the course.

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%)

Problem Sets
Because the material is analytical 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 will not accept late assignments.

Exams
Please bring a financial calculator, one 8.5x11 inch page of notes (both sides) for the midterm, and two 8.5x11 inch pages of notes for the final.

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.