

AY 2016 Course Summary MSc in Finance Program

Instructor	Toshiki Yotsuzuka
Course Title	Fixed Income Strategies

Overview: Course Description

This course focuses on fixed income portfolio management, with emphasis on “arbitrage” or “relative value investing”. It takes the form of a reading seminar, where students take turns in presenting one research paper each week, while the other participants are responsible for reading and discussing it. The topics typically include (i) term structure models and the yield curve shape, (ii) factor analysis of the yield curve, (iii) using term structure models for yield curve arbitrage, (iv) announcement effects on the yield curve, (v) relationship between repo markets and bond markets, (vii) swap spread arbitrage, (vi) risk-return analysis of fixed income arbitrage, (viii) analysis of inflation-linked bonds, and (ix) macroeconomics and the yield curve. Research papers on hedge funds may be included if there is strong interest. The course requires knowledge of elementary calculus and intermediate statistics.

Objective of this course

The primary objective of this course is to provide students with a solid background in the theory and practice of fixed income arbitrage or “relative value investing”. At the end of the course, students will be (i) comfortable with some of the term structure models used in yield curve arbitrage, (ii) familiar with the empirical properties of the yield curve, (iii) familiar with various analytical tools for detecting and exploiting mispricing in the fixed income market, (iv) capable of applying such knowledge to the construction and risk management of fixed income portfolios, and (v) generally better equipped to approach the fixed income market from a multitude of perspectives.