

**Code:** 81008

**Subject name:** Fixed-Income Products

### **GENERAL CHARACTERISTICS**

**ECTS:** 3

**Language/s:** English

**Type:** Obligatory

**Teacher:** Pablo Larraga López

### **DESCRIPTION**

#### **BRIEF DESCRIPTION AND JUSTIFICATION**

The main objective of this course is to provide the student with the basic knowledge to understand the functioning of the fixed income market, as well as the different methodologies commonly used in the analysis of securities and other fixed income products, valuing these assets, their Associated risks and the relation with the interest rate.

#### **Competencies**

As a consequence of the acquisition of the contents of the subject, the student will be able to:

CT2. Act with urgency and sense of urgency when important decisions are necessary to achieve the established objectives, assuming calculated risks when using the information necessary to reduce uncertainty. (Result Orientation).

CT4. Make investment and financing decisions perfectly sustained in financial theory and practice, with a high level of applicability to reality and adapting to the environment. (Decision making).

CE4. Optimize the management of portfolios and wealth, risk coverage and business financing decisions, applying the principles of analysis and valuation of financial products investment and financing. (Financial investment and financing operations).

## Prerequisites

Requirements legally established to access postgraduate programs:

Degrees in the field of social, scientific or technological sciences.

## Contents

1. Characteristics of fixed income
2. Structure of the Public Debt Market
3. Private Fixed Income Market
  - a. Promissory notes
  - b. Private Bonds and Obligations
  - c. Cédulas, bonos and participaciones hipotecarias
  - d. Preferred shares and.
  - e. Asset Securitization Funds
4. Rating: concept and classifications
  - a. Risks associated with fixed income: Risks of interest, credit risk, liquidity risk, exchange rate risk, early repayment risk
5. Valuation of short-term and long-term fixed income assets
6. Principles of Malkiel
7. Temporal interest rate curve and structure (ETTI)
  - a. Zero coupon curves
  - b. Temporary structure of types
  - c. Curves of types "forward"
8. Measurement and management of interest rate risk.
  - a. Sensitivity.
  - b. Duration and duration corrected.
  - c. Immunization
9. Fixed income management
  - a. Active and passive fixed income strategies

- b. Net asset value and profitability
- c. The fixed income portfolio

10. Current trends in fixed income markets

## METHODOLOGY

### TRAINING ACTIVITIES:

Training activities	ECTS	Competencies
Lectures presenting concepts and procedures	1,3	CT2;CE4
Practical sessions (exercises, case resolution)	0,4	CT2;CE4
Assignments by Students	0,4	CT2;CE4
Seminars or tutorials	0,2	CT2;CE4
Personal study activities	0,6	CT2;CE4
Assessment sessions	0,1	CT2;CE4
Internship in Company		
TOTAL	3	

### EXPLANATION OF TEACHING METHODOLOGY

There are two types of training activities:

#### 1.- Exposition and reading of theory on matter

It corresponds to the exposition of the subject by the teacher and to the study of the subject by the student. This activity seeks to know the theoretical fundamentals of the subject, as well as the main basic concepts in order to successfully manage fixed income products.

#### 2.- Practical exercises and case discussion

It corresponds to the preparation by the students of the practices corresponding to each theoretical theme. In this activity the transversal competences are

developed mainly, while assimilating the knowledge that leads to the specific competences. This section takes into account the practical sessions, the seminars and tutorials that are developed during the course, and the sessions of continuous evaluation. A work is to be done individually and involves running a presentation, and it's intended to help the student to apply the new knowledge acquired.

## METHODS OF EVALUATION

### Methods of evaluation

Methods of evaluation	Weight	Competencies
Final exam	40%	CT2;CE4
Midterm exam	-	
Following up activities	10%	CT2;CE4
Homework and presentations	40%	CT2;CE4
Experimental work or fieldwork	-	
Projects	-	
Evaluation of the company or institution	-	
Participation	10%	CT2;CE4

## LEARNING OUTCOMES

At the end of the course the student should be able to:

- Understand the functioning of fixed income markets.
- Understand how the main fixed income products work.
- Know and calculate the main risks associated with fixed income.
- Analyze the role of the interest rate in relation to fixed income.

## EVALUATION

The final grade of the course responds to criteria of continuous evaluation and will be the result of applying the following percentages: 40% for the grade obtained in the final exam, 40% comes from the individual preparation and presentation of a work, 10% for the delivery of class exercises and other follow-up activities and 10% for proactive participation in class discussions.

## EVALUATION OF COMPETENCIES

In all of the evaluation activities of the subject, the cross-disciplinary competence of orientation to the result is evaluated, especially in the follow-up activities and in the works and presentations, in which the students have to solve real cases related to the fixed income markets and make decisions. The specific competence of financial investment and financing operations is fundamentally evaluated through the final exam, in which students have to demonstrate that they have understood and know how to apply the theoretical concepts explained about fixed income products.

## Bibliography

### Bibliography

Martínez-Abascal, Eduardo (2002). Gestión de carteras de renta fija. McGraw-Hill, 2002.

Mascareñas Pérez-Iñigo, Juan (2002). Gestión de activos financieros de renta fija. Madrid. Pirámide.

Veronesi, P. (2010). Fixed Income Securities: Valuation, Risk, and Risk Management, John Wiley & Sons, INC.

## PREVIOUS CHANGES

## LAST REVISION