

**IMBA PROGRAM  
COLLEGE OF COMMERCE  
NATIONAL CHENGCHI UNIVERSITY**

***Analysis of Fixed Income Securities  
And Credit Ratings***

***Spring 2016***

**A. Instructor:**      **Professor Joseph Hu**

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**Class Hours:**      Wednesday, 7:10 pm to 10:00 pm

**Office Hours:**     Monday -Wednesday, 10:00 am to 5:00 pm

**B. Books**

1. Marcia Stigum and Anthony Crescenzi, Stigum' s Money Market, fourth edition, McGraw-Hill, 2007.
  2. Joseph Hu, Asset Securitization: Theory and Practice, John Wiley & Sons, Inc., 2010.
  3. Joseph Hu, Basics of Mortgage-Backed Securities, second edition, Frank J. Fabozzi Associates, 2001, (distributed by John Wiley & Sons, Inc.), 2001.
- Recommended Books:

**C. Course Objectives**

This course, Analysis of Fixed Income Securities and Credit Ratings, is to present an analysis of the fixed income securities market in the United States. This course examines five types of fixed income instruments:

- U.S. Treasury securities (Treasuries)
- Government-sponsored agency securities (GSEs)
- Corporate bonds (Corporates)
- State and municipal tax-exempted bonds (Munis), and
- Asset-backed (structured finance) securities (ABS)

By taking this course, students will be able to gain a comprehensive understanding on the process of how an entity--be it a government agent, a corporation, or a special

purpose entity (of asset securitization)--raises funds in the capital market to finance economic activities.

Based on the understanding of the various debt instruments, students will be able to appreciate the many reasons why different investors, both individual and institutional, purchase different fixed income securities. This, in turn, will enable students to develop skills in the investment management of fixed income securities.

#### **D. Grading Policy**

The course grade will be based on the performance of midterm and final take-home exams (80%) and class participation (discussion and attendance, 20%). The class will not be curved.

#### **E. Important Notes and Policies**

The course grade, once announced, is final and cannot be changed. Attending classes regularly is absolutely and positively important. Students who miss three class meetings during the semester will not get a grade for the course.

### **CLASS SCHEDULE**

Week	Topic	<i>Lecture Notes (PowerPoint Slides)</i>
Class 1	Introduction	<i>Class1-Introduction-IMBA-2016</i>
Class 2	The U.S. financial markets and flow of funds Introduction of Asset-Backed Securities	<i>Class2-US Capital Market and Flow of Funds Class2a-Introduction of asset-backed securities</i>
Class 3	Overview of fixed-income securities	<i>Class3-Overview of fixed-income securities</i>
Class 4	The U.S. Treasuries (Treasurys), Government Sponsored Enterprises (GSEs), Corporate Bonds (Corporates), and Municipal Bonds (Munis), Asset-Backed Securities (ABS)	<i>Class3a-Treasuries-GSEs--Corporates-Munis</i>
Class 5 & 6	Bond math: bond prices, yield-to-maturity, duration and convexity, and total rate of returns	<i>Class4-Bond math</i>
Class 7	Basics of asset-backed securities	<i>Class5-Basics of asset-backed securities</i>
Class 8	Residential mortgages and the U. S. residential mortgage market	<i>Class6-Residential mortgages and mortgage market</i>

Class 9	Agency-guaranteed residential mortgage backed securities (RMBS) and Multiclass mortgage-backed securities	<i>Class7-Agency-RMBS</i>
Class 10	Mortgage math: mortgage amortization; yield and price of mortgage backed securities	Bond calculators on mortgages and mortgage backed securities
Class 11	Non-Agency guaranteed residential mortgage backed securities	<i>Class8-Non-Agency-RMBS</i>
Class 12	Commercial mortgage backed securities (CMBS)	<i>Class9-CMBS</i>
Class 13	Credit card receivable-backed securities, auto loan-backed securities, and CDOs	<i>Class10-ABS and CDOs</i>
Class 14	Credit ratings on asset-backed securities and corporate bonds	<i>Class11-ABS ratings and corporate ratings</i>
Class 15	Bond indexes and immunization of bond portfolios	<i>Class12-Index and immunization</i>
Class 16	The underwriting of fixed-income securities The collapse and recovery of the U.S. asset-backed securitization market	<i>Class13-The underwriting of fixed-income securities</i> <i>Class14-Collapse and recovery of asset securitization market</i>