



1. General Information

Course Subject	FINA
Course Number	3323
Course Title	Fixed Income Securities
Academic Years	2023-2024
Grading Method	Letter

2. Instructors

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Subclasses: 1A,2B

4. Course Description

Course Description	This course is designed to provide a comprehensive introduction to fixed income securities by covering the following broad topical areas: (a) the institutions and operations involved in the fixed income securities markets; (b) the valuation and hedging of fixed income securities; (c) the term structure of interest rate; (d) the use and application of interest rate derivatives in the areas of risk management and financial engineering; and (e) the interest rate models.
Prerequisites	ECON1210 Introductory microeconomics; and FINA2322 Derivatives or STAT3905 Introduction to financial derivatives; and FINA2320 Investments and Portfolio Analysis or STAT3609 The Statistics of Investment Risk
Free Elective	Yes

5. Course Objectives

1. To help students develop a solid understanding of fixed income securities and fixed income markets.
2. To provide students with concepts and methods those are heavily used in practice.

6. Faculty Learning Goals

Goal 1: Acquisition and internalization of knowledge of the programme discipline

Goal 2: Application and integration of knowledge

Goal 3: Inculcating professionalism

Goal 4: Developing global outlook

Goal 5: Mastering communication skills

Goal 6: Cultivating leadership

7. Course Learning Outcomes						
Course Teaching and Learning Activities	Aligned Faculty Learning Goals					
	1	2	3	4	5	6
CLO1. Describe and interpret the general features of fixed income securities including fixed income derivatives and understand the operations of fixed income markets.	✓		✓		✓	
CLO2. Apply techniques to price fixed income securities and be able to describe the determinants of security prices.	✓	✓		✓	✓	
CLO3. Illustrate the term structure of interest rates and basic interest rate models.	✓	✓				
CLO4. Explain the characteristics of mortgage loans and mortgage-backed securities.	✓	✓				
CLO5. Use interest rate derivatives like futures and options to manage risk and have general knowledge of other interest rate derivatives.	✓	✓	✓		✓	
CLO6. Be able to communicate with others on various issues of fixed income securities.		✓	✓	✓	✓	✓

8. Course Teaching and Learning Activities		
Course Teaching and Learning Activities #	Expected Study Hours	Study Load (% of study)
T&L1. Lectures	36	27.7
T&L2. Assignments	24	18.5
T&L3. Tutorials	10	7.7
T&L4. Self-study	60	46.1
	Total: 130	Total: 100

9. Assessment Methods			
Assessment Methods	Description	Weight %	Aligned Course Learning Outcomes
A1. In-Class and Tutorial Performance	Class attendance and active participation in discussion are expected for all students. Tutorial attendance is mandatory.	5%	1,2,3,4,5,6
A2. Assignments	There are five individual homework assignments which are designed to help students review basic concepts and to practice applying the concepts.	20%	1,2,3,4,5,6
A3. Mid-term Examination	There will be a mid-term exam to test students' breadth and depth of the understanding of the major concepts covered in the first seven teaching weeks. Once taken, no drop of midterm exam score will be allowed. There will be no make-up midterm exam. Students missing the midterm exam will have 97% of their final exam score as the midterm exam score.	30%	1,2,3,4,5,6
A4. Final Exam	There will be a comprehensive final exam to test students' breadth and depth of the understanding of all concepts covered in the course and students' ability to integrate and apply this knowledge.	45%	1,2,3,4,5,6

Assessment Rubrics	
A1. In-Class and Tutorial Performance	
A+,A,A-	Extremely well prepared for class discussion, very active in sharing views and attended almost all lectures and tutorials.
B+,B,B-	Partially prepared for class discussion, quite active in sharing views and attended most of the lectures and tutorials.
C+,C,C-	Not well prepared for class discussion, limited active in sharing views and attended many of the lectures and tutorials.
D+,D	Not well prepared for class discussion, no sharing of views and attended some of the lectures and tutorials.
F	Poorly prepared for class discussion and no sharing of views and experience and rarely attended lectures and tutorials.
A2. Assignments	
A+,A,A-	Submitted all homework with excellent accuracy.
B+,B,B-	Submitted well written homework with good accuracy.
C+,C,C-	Submitted homework with fair level accuracy.
D+,D	Submitted homework with limited accuracy.
F	Poorly written homework or no submission.
A3. Mid-term Examination	Midterm exam may include three types of questions: multiple choice, calculation problems, and essay questions. Multiple choice and calculation problems are graded according to the marks assigned to each question. Essay questions are graded according to the following criteria:
A+,A,A-	Idea development is insightful and sophisticated; Supporting evidence is convincing, accurate and detailed. Well written with clear focus.
B+,B,B-	Idea development is clear and thoughtful; Supporting evidence is sufficient and accurate. Well written.
C+,C,C-	Idea development is simplistic and lacking in relevance; Supporting evidence insufficient but accurate. Somewhat well written.
D+,D	Idea development is superficial and ineffective; Supporting evidence is insufficient and inaccurate. Writing is unclear.
F	Idea development is absent; Supporting evidence is vague or missing. Poorly written.
A4. Final Exam	Final exam may include three types of questions: multiple choice, calculation problems, and essay questions. Multiple choice and calculation problems are graded according to the marks assigned to each question. Essay questions are graded according to the following criteria:
A+,A,A-	Idea development is insightful and sophisticated; Supporting evidence is convincing, accurate and detailed. Well written with clear focus.
B+,B,B-	Idea development is clear and thoughtful; Supporting evidence is sufficient and accurate. Well written.
C+,C,C-	Idea development is simplistic and lacking in relevance; Supporting evidence insufficient but accurate. Somewhat well written.
D+,D	Idea development is superficial and ineffective; Supporting evidence is insufficient and inaccurate. Writing is unclear.

Assessment Rubrics

F	Idea development is absent; Supporting evidence is vague or missing. Poorly written.
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10. Course Grade Descriptors

A+,A,A-	Exhibited high level of understanding of the course materials through excellent performance in class discussion, assignments and term tests.
B+,B,B-	Exhibited reasonably high level of understanding of the course materials through good performance in class discussion, assignments, and term tests.
C+,C,C-	Exhibited fair level of understanding of the course materials.
D+,D	Exhibited limited level of understanding of the course materials.
F	Exhibited low level of understanding of the course materials.

11. Course Content and Tentative Teaching Schedule

Topic/ Session	Date	Content	Other information
		Introduction to Fixed Income Securities	
		Bond Valuation and Yield Measures	
		Bond Price Volatility	
		Bond Yield and Interest Rate Structure	
		Bonds with Other Features	
		Forward and Futures on Bonds	
		Options and Credit Derivatives	
		Bond Portfolio Management including Hedging	
		Interest Rate Models	
		Mortgages and Mortgage-Backed Securities	

12. Required/Recommended Readings & Online Materials

Reading	<ol style="list-style-type: none"> Reference book: Tuckman, Bruce and Angel Serrat, Fixed Income Securities: Tools for Today's Markets, University Edition, 3rd Edition, 2012, (Wiley Finance) Lecture notes prepared by the instructor, which will be available on course Moodle Video clips on Youtube Recommended reading articles
Textbook	Highly recommended textbook: Fabozzi, Frank J., Bond Markets, Analysis, and Strategies, Global Edition, 8th Edition, 2012, (Pearson Education, Inc)

13. Means / Processes for Student feedback on Course

✓	Conducting mid-term survey in additional to SETL around the end of the semester
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13. Means / Processes for Student feedback on Course

✓	Online response via Moodle site
	Others

14. Course Policy

Class Conduct

Students are required to attend all classes on time. If you miss a class, it is entirely your responsibility for what you have missed. In case you have to leave the class early, please inform the instructor beforehand and leave quietly.

No use of mobile phone or chatting is allowed when the class is in session. Remember to turn off or mute the phone before each session. The instructor has the discretion to give penalty in case of class misconduct.

Respect your instructors and your fellow students. Be considerate to others.

Academic Dishonesty

The University Regulations on academic dishonesty will be strictly enforced! Please check the University Statement on plagiarism on the web: <http://www.hku.hk/plagiarism/>

Academic dishonesty is any act that misrepresents a person's own academic work or that compromises the academic work of another. It includes (but not limited to) cheating on assignments or examinations; plagiarizing, i.e., representing someone else's ideas as if they are one's own; sabotaging another's work.

If you are caught in an act of academic dishonesty or misconduct, you will receive an "F" grade for the subject. The relevant Board of Examiners may impose other penalty in relation to the seriousness of the offense.

15. Additional Course Information

- Announcements, assignments, and lecture slides will be posted on the course MOODLE website. Hard copy of lecture notes will not be provided.
- No late assignments will be accepted.
- A financial calculator is necessary. No formula sheet or cheat sheet are allowed for both the mid-term exam and final exam.