



School of Economics and Management

NEKN88, Economics: Fixed Income Securities, Advanced Course, 2.5 credits

Nationalekonomi: Räntebärande tillgångar, avancerad kurs, 2,5 högskolepoäng
Second Cycle / Avancerad nivå

Details of approval

The syllabus was approved by The Board of the Department of Economics on 2016-11-15 to be valid from 2016-11-15, spring semester 2017.

General Information

This is a single subject master course in economics belonging to the "Financial Economics" specialisation. The course is either obligatory or optional within a number of master programmes at Lund University.

Teaching is in English. (Teaching may be in Swedish if all registered students have a good knowledge of Swedish.)

Main field of studies

Economics

Depth of study relative to the degree requirements

A1N, Second cycle, has only first-cycle course/s as entry requirements

Learning outcomes

Knowledge and understanding

The goal of the course is to develop the students' understanding of models for fixed income securities and their ability to apply these models to real word problem. More specifically, the students upon completion of the course shall have the ability to understand:

- main concepts in pricing fixed income securities,
- measuring interest rate risks,
- models of the short-term interest rates,
- Monte Carlo simulation.

Competence and skills

Students shall have the ability to independently apply their knowledge to real world problems. In particular they shall be able to:

- implement models for pricing bonds,
- implement models to measuring fixed income and interest rate risks,
- implement simulation methods on the stochastic models of the short-term interest rate.

Judgement and approach

Students shall have developed:

- learning skills that allow for further study in finance and economics,
- an ability to independently search for and evaluate information from risk management literature within finance,
- an ability to independently conduct a master thesis.

Course content

The objective of the course is to give the students an understanding of fundamental issues in pricing fixed income securities and measuring and hedging risks associated with these securities. The course starts with an overview of the main concepts in pricing bonds of different characteristics. It continues by introducing risks associated with investing in bonds and models for measuring these risks. The course ends by covering a number of stochastic models for short-term interest rate and using the Monte Carlo simulation methods to analyse the value of bonds.

Course design

1. Teaching: Tuition consists of lectures and computer labs.

Assessment

1. Examination: : Examination consists of a written examination that takes place at the end of the course. There will be further opportunities for examination close to this date. In addition, there are a number of compulsory computer exercises. Other forms of examination may be used to a limited extent.

2. Limitations on the number of examination opportunities: –

The University views plagiarism and other academic dishonesty very seriously, and will take disciplinary action against students for any kind of attempted malpractice in connection with examinations and assessments. Plagiarism is considered to be a very serious academic offence. The penalty that may be imposed for this, and other unfair practices in examinations or assessments, includes suspension from the University for a specified period.

Grades

Marking scale: Fail, E, D, C, B, A.

1. Grading: The official grading scale is A, B, C, D, E and Fail.

Grade (Definition), Points or percentage out of maximum points, Characteristic

A (Excellent), 85–100, A distinguished result that is excellent with regard to theoretical depth, practical relevance, analytical ability and independent thought.

B (Very good), 75–84, A very good result with regard to theoretical depth, practical relevance, analytical ability and independent thought.

C (Good), 65–74, The result is of a good standard with regard to theoretical depth, practical relevance, analytical ability and independent thought.

D (Satisfactory), 55–64, The result is of a satisfactory standard with regard to theoretical depth, practical relevance, analytical ability and independent thought.

E (Sufficient), 50–54, The result satisfies the minimum requirements with regard to theoretical depth, practical relevance, analytical ability and independent thought, but not more.

U (Fail), 0–49, The result does not meet the minimum requirements with regard to theoretical depth, practical relevance, analytical ability and independent thought.

Students have to receive a grade of E or higher in order to pass a course.

2. Weighting grades from different parts of the course: –

3. Grading scales for different parts of the course: –

Entry requirements

Students admitted to the Master Programmes in Economics are qualified for this course. For other students, at least 90 ECTS-credits in economics are required. These must include a course in basic financial economics, an intermediate course in microeconomics (e.g., NEKG21 "Intermediate Microeconomic Analysis"), and an intermediate course in econometrics, (e.g., NEKG31 "Econometrics") or equivalent Courses.

Further information

1. Transitional regulations: –

2. Limitations in the period of validity: –

3. Limitations: This course may not be included in the same degree as NEKN87 "Fixed Income and Derivatives".

4. Similar courses: –

5. Limitations in renewed examination: –