

Support material: Class notes. Extracts from Frank J. Fabozzi, Fundamental of Fixed Income. Extracts from K. Garbade, Fixed Income Analytics. Bloomberg terminal analytics.

### Lesson 1

Capital Structure: understanding debt vs equity, conceptual differences.

The need to borrow money explained.

Cost of debt vs cost of equity.

What is a bond and how does a bond price?

The inverse correlation between price of a bond and yield of a bond.

How do bonds trade in markets? Electronic vs. over the counter.

Understanding the risk-free curves used to price a bond.

What valuations do bonds trade at? The “spread” explained.

### Lesson 2

Different types of bonds by issuer:

Investment grade rated bonds vs. junk bonds.

Sovereign bonds, corporate bonds, agency bonds.

Back to accounting for a minute:

The concept of leverage: why is that connected to bond valuations?

Importance of free cash flow generation.

Shareholders’ friendly vs bondholders’ friendly policies.

### Lesson 3

Concept of Duration: what is it?

Duration of a bond. How does that change with maturity and coupon of a bond.

Different interpretations of duration: sensitivity to interest rate movements, average time to repay investments, first derivative interpretation.

Concept of Convexity.

Concept of Liquidity. Why is a bond more exchangeable than another?

Term structure of a bond. The concept of “bond curve”.

### Lesson 4

How the term structure of a bond with yields defines a curve slope.

What are different slopes telling investors? A normal curve vs. an inverted curve slope.

Understanding monetary policy: how does affect the valuation of a bond and a fixed income portfolio.

Inflation expectations and monetary policy moves: how do they impact the risk-free rate curve.

#### Lesson 5

Other examples of bonds: exotic bonds.

Senior vs. subordinated bonds.

Coco bonds / Additional Tier 1 capital bonds.

Convertible bonds.

Floating rate bonds.

Asset back bonds.

Practical examples: Mexican bonds vs. Brazilian bonds. Apple vs. Microsoft.

Credit Suisse default explained.

#### Lesson 6

Construct a bond portfolio: practical examples. High beta vs. low beta.

Aggressive vs. conservative styles. Practical examples of bonds priced on Bloomberg. What if scenarios performed live.