

Fixed Income Investment

Pierre Hillion

Objectives

Fixed Income Investment provides a practical overview of the fixed income markets, with focus on the management of bond portfolios.

Key benefits

By attending this program, you will:

- Increase your understanding of the different types of risk faced by bond portfolio managers
- Learn about measures of risk such as duration and convexity as well as more advanced measures
- Review fixed-income derivatives, futures, options and swaps and understand their usefulness in bond portfolio management for hedging or speculating
- Analyze currency risk in international portfolios of bonds

Who should attend?

The typical participant will be an investment professional, analyst or plan sponsor. This includes bond analysts, pension fund advisors, risk managers, private client portfolio managers and consultants to the fund management industry. Those responsible for the management of fixed-income portfolios within banks, pension funds and insurance companies are advised to attend.

Dates & Fees

October 15 – 19, 2012

€ 4,750



Faculty

Pierre Hillion is the de Picciotto Chair at INSEAD in Alternative Investments and Visiting Professor at UCLA and CalTech in the USA. At INSEAD, he has received the Best Teacher for Electives, Singapore campus on several occasions.

"I would recommend this program because it is a very practical, well explained overview of the fixed income markets. The subjects discussed are very useful."

Senior Manager, Interbank
Saudi Hollandi Bank
Saudi Arabia

Program Content

Day 1

Risk and Return for Bonds without Embedded Options

- Yield measures
- Risk measures: Duration and convexity
- Usefulness of duration in bond portfolio management: Immunization
- Usefulness of convexity in bond portfolio management: Butterfly swaps

Risk and Return for Bonds with Embedded Options

- Adjusted yield measures
- Adjusted risk measures
- Bond portfolio management for bonds with embedded options

Day 2

New Measures of Risk

- Factor based measures of risk
- Key rate durations

Use of Derivative Instruments in Bond Portfolio Management:

Part I - Interest Rate Swaps

- Interest rate swaps as portfolio of bonds
- Risk of interest rate swaps: Interest rate risk and credit risk
- Swap rationale
- Advanced swaps: Forward swaps and swaptions
- Usefulness of swaps in bond portfolio management

Day 3

Use of Derivative Instruments in Bond Portfolio Management:

Part II - Futures

Pricing Long Term Bond Futures

- Pricing of futures: General principles
- Pricing of bond futures

Use of Bond Futures in Bond Portfolio Management

- Difficulties of hedging with bond futures
- Hedging with bond futures

Strategies with Bond Futures

Day 4

Use of Derivative Instruments in Bond Portfolio Management:

Part III - Options

- Pricing interest rate options

Use of Interest Rate Options in Bond Portfolio Management

- Pricing examples
- Reshaping bond portfolio returns with options
- Hedging asymmetric risk with options
- Duration hedging with convexity adjustment using futures and options

Day 5

Currency Risk in a Bond Portfolio

- International Diversification
- Currency risk in bond portfolios
- Currency Hedging