

FINA 7A97-Fixed Income Portfolio Management in Practice

Summer 4, 2023

Instructor: Matt Caire

Goal: To provide MBA level students with real-world insights into the application of fixed income portfolio management through the eyes of an industry practitioner. Students will have the opportunity to design their own bond portfolios over the 5-week program (group work if class is large enough) in order to achieve various scenarios/objectives.

Proposed 5-Week Course Outline:

Week 1:

Overview of Fixed Income Portfolio Management:

Discuss different approaches to fixed income PM (total return vs buy-and-hold), tools used in analysis (Bloomberg PORT, attribution analysis), how to trade in practice (focus on execution quality, trade evaluation, electronic trading platforms, technical analysis), managing vs. an index

Week 2:

Fixed Income Market Efficiency (or lack thereof!):

Comparison of market efficiency and price discovery across various fixed income sectors and discussion of how these markets create opportunities for active bond managers.

Analysis in Practice:

Factors affecting bond portfolios (macro-economic variables, cross-market signals (inflation swaps, TIPS breakevens, credit spreads, etc.), implied volatility in interest rate markets).

Week 3:

Portfolio Construction Incorporating Various Security Types and Structures:

Multi-sector portfolio construction (IG and HY corporates, Treasuries, Agencies, MBS) coupled with various security structures (callable, puttable, floating rate) in order to achieve a robust, diversified portfolio.

Importance of Curve Positioning:

Walk through of several real-world instances illustrating the importance of curve positioning, opportunities to extend/shorten portfolio duration, methods used (barbell vs ladder).

Week 4: What Happens When Things Go Wrong?

Risk management applied in the management of the portfolio. Discussion of credit events (downgrades and bankruptcies), event risk (wars, natural disasters), legislative/political risk (tax law changes, etc.), and evaluation of the portfolio during an elevated risk market environment.

Week 5: Project Presentations, Feedback, and Discussion

Students present their work to the class followed by Q&A and discussion. Create an immersive, hands-on learning environment encapsulating the topics learned in prior 6 weeks.