Interest Rates and Bond Valuation Topics

This is a general guideline and should be viewed as such. Anything covered in class can be tested.

1. Bond definitions
   (a) Bond
   (b) Par value (face value)
   (c) Coupon rate
   (d) Coupon payment
   (e) Maturity date
   (f) Yield to maturity (YTM)
2. Need to be able to value a bond
3. Given Price, coupon rate, payment frequency, maturity, face value and YTM be able to calculate missing piece.
4. Interest rate risk (relationship between YTM and bond value)
5. Premium, par, and discount bond
6. Current yield, YTM, and capital gains yield.
7. Terminology
   (a) Securities
      i. Differences between debt and equity
   (b) What defines long-term debt?
      i. Note vs Bond
   (c) Indenture
   (d) Registered form vs bearer form
   (e) Security
      i. Collateral, mortgage securities
   (f) Debenture
   (g) Seniority
   (h) Sinking fund
   (i) Call provisions
      i. Call premium
      ii. Deferred call provision
      iii. Call protected bond
   (j) Protective covenants

        i. Negative vs Positive
    (k) Bond Ratings
    (l) Government debt
        i. Bill, Note, Bond
        ii. Municipals
    (m) Zero coupon bonds(Zeroes)
    (n) Floating rate bonds
        i. Collar
        ii. Inflation linked bond (TIPS)
    (o) Warrant
    (p) Income bonds
    (q) Convertible bond
    (r) Structured notes
    (s) Put provision
        i. Put bond

8. Bond Market
9. Read and interpret treasury quote
10. Bid, ask, bid-ask spread
11. Real vs Nominal
    (a) Fisher effect
12. Term structure of interest rates
    (a) Upward sloping
    (b) Downward sloping
    (c) Components
13. Treasury Yield
14. Risk factors
    (a) Default
    (b) Taxability
    (c) Liquidity