
UNDERSTANDING FIXED INCOME

Digital Learning & Online Solutions

Professor: DAMIAN RUBIANES

PROFESSOR'S BIO

Damián Rubianes has twenty years' experience advising corporates and executives in corporate finance, capital markets and structured finance transactions as well as on investments. As an investment banker and consultant, he has worked for some of the World's leading financial institutions, ranging from the US to Europe and Asia, such as JP Morgan, Ernst & Young, BNP Paribas, and lastly, Haitong Securities, where he was a Managing Director.

Since 2013, he is an Adjunct Professor of Finance (IE Business School in Spain and Altamayyuz Academy in Saudi Arabia) and an Executive Education instructor for corporations, regulators, and financial institutions, conducting training engagements in Europe, the Middle East, Asia, Latin America, and the USA. He has also lectured or been a guest speaker at universities and financial institutions such as UCLA, Singapore Management University, Fundação Getulio Vargas (FGV-EAESP), London Stock Exchange, UK Trade & Investment, Mergermarket, ESMA, etc.

Currently a PhD candidate, Damián's academic background includes a B.Sc. in Economics and Business Administration, a B.A. in Humanities (Honors), an MBA (Honors) at IE Business School and certificates on finance, economics and political philosophy from institutions like EFFAS, CFI or CAIA and universities such as Yale, Princeton, Westminster (London), Stanford, Harvard Online, Wharton Online, Singapore (NSU) or Queen Mary.

CORPORATE EXPERIENCE

- Managing Director, Head of Equity and Debt Capital Markets, Haitong Securities, 2010- 2017
- Director, Corporate Finance & Capital Markets, BNP Paribas, 2005-2010
- Senior Consultant, Corporate Finance, Ernst & Young (EY), 2000-2005
- Financial Analyst, Investment Management, J.P. Morgan, 1999-2000

ACADEMIC EXPERIENCE

- Adjunct Professor of Finance, IE Business School, 2014-Today
- Executive Education instructor, Headspring Executive Development, 2023-Today
- Associate Professor of Finance, Universidad Autónoma de Madrid, 2024-Today
- Former Associate Professor positions at Universidad San Pablo CEU, CUNEF and Universidad de Alcalá (2013-2024)

ACADEMIC BACKGROUND

- PhD Candidate, Economics and Finance, Universidad CEU San Pablo
- MBA Cum Laude, IE Business School
- Bachelor's in Humanities (Honors), Universitat Oberta de Catalunya
- Bachelor's in Economics and Business Administration, Universidad Complutense de Madrid
- Major in Finance, University of Westminster (London)
- Business & Financial Modeling Specialization, University of Pennsylvania, Wharton Online
- Finance & Quantitative Modeling for Analysts Specialization, University of Pennsylvania, Wharton Online
- Certification in Fundamentals of Alternative Investments, CAIA
- Certification in Financial Markets and Narrative Economics, Yale University
- Certification in Quantitative & Qualitative Research, National University of Singapore
- Certified Capital Markets & Securities Analyst (CMSA®), Corporate Finance Institute
- Certified Financial Modeling & Valuation Analyst (FMVA®), Corporate Finance Institute
- Certified Financial Planning & Wealth Management (FMWM®), Corporate Finance Institute
- Certified Commercial Banking & Credit Analyst (CBCA®), Corporate Finance Institute
- Certified ESG Analyst (CESGA), European Federation of Financial Analysts Societies
- Certified European Financial Analyst (CEFA), European Federation of Financial Analysts Societies
- ESG Specialization, Corporate Finance Institute
- ESG Specialization, University of Pennsylvania, Wharton Online

COURSE DESCRIPTION

This course provides advisors with a comprehensive understanding of Fixed Income (FI) securities, equipping them with the knowledge and skills needed to navigate this critical asset class effectively.

Participants will gain an in-depth understanding of the market structure, key players, and the unique characteristics and roles of FI securities in diversified portfolios.

The course covers:

- **Types and Features of FI Securities:** An exploration of the various FI instruments available in financial markets and their primary characteristics.
- **Valuation Essentials:** Key concepts like the time value of money, yield curves, and convexity to master the accurate valuation of fixed income securities.
- **Issuance Processes:** How issuers and investment banks structure and execute public offerings and private placements of debt securities.
- **Risk Analysis:** A deep dive into the risks associated with FI securities, such as interest rate risk and credit risk, and their impact on investment performance.

Real-life case studies will complement theoretical learning, ensuring a practical, hands-on experience. By the end of the course, advisors will have the tools and confidence to make informed decisions and excel in managing fixed income investments.

LEARNING OBJECTIVES

By the end of this course, participants will be able to:

- Understand Fixed Income markets and demonstrate comprehensive knowledge of their structure and key participants.
- Identify the most relevant types of FI securities and recognize their distinguishing features.
- Apply essential valuation concepts of FI securities, including time value of money, benchmarks and yield curves.
- Understand the processes involved in the issuance of debt securities, including public offerings and private placements.
- Identify and assess the various risks associated with fixed income investments, such as interest rate risk and credit risk, and their impacts on investment value.
- Develop and implement investment strategies based on a solid understanding of FI securities within diversified portfolios.

These learning outcomes aim to equip participants with the critical skills and knowledge required to effectively navigate and make informed decisions within the fixed income market.

TEACHING METHODOLOGY

This course utilizes a variety of instructional methods to enhance learning:

- **Video Lectures:** Comprehensive visual and auditory presentations, combined with the professor's recorded presence to explain key concepts. This method mimics an in-person classroom experience, providing visual, auditory, and interpersonal cues to enhance learning.
- **Short Business Case Studies:** Real-world scenarios for practical application and critical thinking.
- **Readings:** Curated materials to provide in-depth insights and complement lectures.
- **Activities and Practice Tests:** Interactive exercises to reinforce learning and gauge understanding.

This blend ensures a well-rounded and practical grasp of Fixed Income Securities.

An automatically graded final course quiz will permit participants to test and apply the newly learned knowledge and skills from the course.

PROGRAM

Lesson 1 – Introduction to Fixed Income Investments

This foundational lesson explores the critical role of fixed income investments in modern economies, emphasizing their importance in meeting capital needs. Learners will examine the variety of financing options available to issuers, including private financing, bank loans, and hybrid securities. The lesson also provides a comprehensive introduction to the structure and key participants of the fixed income market, such as issuers, underwriters, investors, and regulators. Finally, the session delves into the fundamental terms and concepts associated with bonds, such as coupon rate, principal, and maturity date, providing a strong basis for understanding fixed income as an asset class.

Learning Objectives:

- Explain the need for fixed income investments in addressing the capital requirements of modern economies.
- Analyze the financing options available to issuers, such as private financing, bank loans, and hybrid securities, and their implications.
- Identify the primary players in the fixed income market, including issuers, underwriters, investors, regulators, and their roles in facilitating capital flow.
- Define essential bond-related terms like coupon rate, principal, and maturity date, and understand their relevance to issuers and investors.

Lesson 2 – Types of Fixed Income Securities

This lesson provides a comprehensive exploration of the diverse landscape of fixed income securities, categorized by issuer, coupon structure, and specialized characteristics. Learners will delve into corporate, sovereign, and municipal bonds, as well as bonds distinguished by fixed, floating, and zero-coupon payment structures. The session also examines government securities like T-bills, T-notes, T-bonds, and TIPS, alongside other fixed income instruments such as Certificates of Deposit (CDs), inflation-linked bonds, and index-linked bonds. Finally, learners will explore collateralized securities like MBS, ABS, and CDOs, uncovering their role in the financial markets.

Learning Objectives:

- Differentiate between corporate, sovereign, and municipal bonds, and discuss their purposes and benefits for issuers and investors.
- Compare fixed-rate, floating-rate, and zero-coupon bonds, and evaluate their suitability for different investment strategies.
- Explain the characteristics and uses of T-bills, T-notes, T-bonds, and TIPS in various portfolio contexts.
- Assess the impact of inflation on portfolios and understand how ILBs and index-linked bonds mitigate inflation risks.
- Describe the structure and function of mortgage-backed securities (MBS), asset-backed securities (ABS), and collateralized debt obligations (CDOs), and analyze their impact on the financial system.

Lesson 3 – Fixed Income Valuation

This lesson introduces learners to the principles and techniques used in fixed income valuation. Starting with fundamental concepts like the time value of money and the relationship between bond prices, yields, and coupon rates, the lesson progresses to more advanced topics, including duration, convexity, and the impact of monetary policy on bond markets. Learners will also explore key measures and ratios, such as yield-to-maturity, current yield, and spread analysis, to assess bond value and risk. Through a mix of theoretical explanations and real-world applications, this lesson equips learners with essential tools for analyzing and valuing fixed income securities.

Learning Objectives:

- Apply the time value of money to calculate bond prices and understand the relationship between bond prices, yields, and coupon rates.
- Explain the concepts of duration and convexity and their role in measuring a bond's sensitivity to interest rate changes.
- Explore how monetary policy decisions by central banks influence bond prices, yields, and the overall fixed income market.
- Differentiate between yield-to-maturity, current yield, and other yield measures, and understand their significance in fixed income analysis.
- Use spread analysis and other measures to compare bond performance relative to benchmarks and calculate yields in practical scenarios.

Lesson 4 – Risk Analysis in Fixed Income Investments

This lesson provides an in-depth exploration of the risks inherent to fixed income investing and the strategies to manage them. Learners will study the various risk types, including credit, reinvestment, inflationary, and interest rate risks, while understanding the differences between secured and unsecured debt. The role of credit rating agencies in assessing creditworthiness and the unique characteristics of leveraged finance, including high-yield bonds and leveraged loans, will also be analyzed. Lastly, learners will explore key risk management strategies such as immunization techniques and diversification to minimize portfolio risk effectively.

Learning Objectives:

- Understand credit risk, reinvestment risk, inflationary risk, and interest rate risk, and their implications for bond investments.
- Examine the role of credit rating agencies and the qualitative and quantitative factors used to assess corporate credit risk.
- Differentiate between investment-grade bonds, high-yield bonds, and leveraged loans, and discuss their risk-return characteristics and market evolution.
- Explore immunization and diversification techniques to mitigate interest rate changes and other risks in a bond portfolio.
- Assess market conditions and strategic decisions, such as when investors might prefer long-term bonds or adopt portfolio immunization techniques.

Lesson 5 – Fixed Income Special Features

This lesson explores the unique features and strategies associated with fixed income securities. Learners will examine bonds with embedded options, such as callable, putable, convertible, and exchangeable bonds, to understand their structure and value implications. Practical insights into portfolio management strategies, including diversification, active vs. passive approaches, and innovative techniques like bond laddering and barbell strategies, will be provided. The lesson also includes hands-on business case exercises, analyzing real-world examples of callable bonds and the bond issuance process, allowing learners to apply theoretical concepts to practice.

Learning Objectives:

- Explain the features and benefits of callable, puttable, convertible, and exchangeable bonds and their use in corporate finance.
- Compare active and passive bond investment strategies and implement diversification techniques to optimize risk and return.
- Explore the applications and benefits of bond laddering and barbell strategies in portfolio construction.
- Analyze and value bonds with embedded options through real-world business cases.
- Gain insights into the steps, roles, and considerations involved in issuing bonds in the financial market.

Lesson 6: Bonus Track (Optional Lesson)

This lesson delves into the rapidly growing field of sustainable finance within the fixed income markets, highlighting its pivotal role in addressing global environmental and social challenges. Students will explore the features and applications of green bonds, sustainability-linked bonds, and social bonds, as well as the integration of Environmental, Social, and Governance (ESG) factors into fixed income investment strategies.

Learning Objectives:

- Define and differentiate green bonds, sustainability-linked bonds, and social bonds, and their roles in promoting environmental and social projects.
- Explain how ESG factors are incorporated into fixed income investment analysis and portfolio management.
- Recognize the potential of sustainable finance to drive positive environmental and social change while delivering financial returns.