Course Objective: The course objective is to develop each student's understanding of public finance and market concepts as they relate to government. The skills acquired by all students will allow them to understand the development of financial management concepts used by governments. Students must understand concepts related to macro-economic principles as they affect the credit markets. Also, they must be able to completely understand the micro-aspects of bond and other types of financings such as asset backed securities. Certain corporate finance techniques such as how to evaluate common stocks will also be studied in the class.

Course Details: A key portion of the class will relate to quantification of financial transactions. Students must understand the cash flows of debt transactions and how the cash flows are presented as bond prices in the securities markets. The course will follow the training program used by the Chartered Financial Analyst (CFA) Program. Excel models will be used in the class to demonstrate the cost of items such as municipal bonds, derivative transactions such as interest rate swap arrangements, and other transactions. The transactions will be explored in class using a financial lab setting. The course will use a financial management text published by the Chartered Financial Analysts group. Numerous other finance related documents, academic research literature, and websites will also be used in the class.

Students must establish an understanding of the events in the credit markets during the term of the course. This will include an understanding of the actions of the United States Federal Reserve System, including the critical quantitative easing program that was conducted. Students are also expected to monitor weekly changes in interest rates and other key events such as weekly U.S. Treasury auctions and their effect on the financial markets.

The course will also include an in-class discussion and review of academic journal articles from sources such as Public Budgeting and Finance, and the Journal of Public Budgeting, Accounting and Financial Management. A number of Wall Street related documents will also be used in the class.

Additional readings and quantitative issues may be required during the course at the instructor's discretion. As capital markets change during the semester it is expected that additional documents may be added to the
class materials maintained on Blackboard. The instructor reserves the right
to modify the course topic schedule in keeping with the pace of the class. However, regardless of any changes made by the instructor in the schedule of topics, all reading and written assignments will be due on the dates indicated on this syllabus unless otherwise indicated in writing from the instructor.

Data Base Analysis: We will also review data bases in the class. These include the Bloomberg Terminal, and the EMMA data base maintained by the Municipal Securities Rulemaking Board, and others such as the interest rate data maintained by the United States Treasury Department.

Students are expected to bring a computer to class with Excel and internet capability so we can review data bases in the class.

Grading: Team project #1 (20%), Team project #2 (20%), a term paper analyzing a municipal bond issue (25%), a two-hour open book exam at the end of the course (25%), class participation (10%). Students are expected to attend all class sessions and to contribute to class discussions. This includes discussions about the assigned readings. Assignments submitted late will be subject to a markdown penalty with the highest grade to be achieved being no higher than a B+.

Team project #1 (20%): A professional quality written financial report must be produced and the study must be presented in the class on March 10th. The subject of the paper will be the major actions taken by the Federal Reserve System from January 1, 2007 to the present. Research from entities such as the Federal Reserve Bank of New York should be used in the study. Critical analysis must be used in the paper.

Team project #2 (20%): A professional quality written financial report must be produced and the study must be presented in the class on April 28. The subject of the paper will be the yield curve in the United States and how it has changed monthly or quarterly from January 1, 2007 to the present. Critical analysis must be used in the paper.

Individual term paper (25%): The paper is due on April 14 and requires each student to choose a municipal or corporate bond issue and to present an analysis of it using the concepts reviewed in the course. The official statement for the bond offering must be analyzed as part of the paper. An electronic copy of the official statements must be presented to the instructor when the paper is due. A hard copy of a not to exceed 20 page paper double spaced must also be submitted. Critical analysis must be used in the paper.

Class examination on May 12 (25%): The exam will be open book and two hours in length and will focus on financial management problems using Excel and other materials reviewed in class such as the academic journal articles. (With the exception of Excel and the use of a hand held calculator, no
other computer programs/devices can be used during the exam).

Books and Course Materials:


Selected Websites:


Other websites may be used in the class.

COURSE SESSIONS:


- Securities and Exchange Commission Committee on Uniform Securities Identification Procedures (CUSIP) numbers.
- Bond cash flow issues in Excel.
- Local government bond offering official statement.
- Municipal Securities Rulemaking Board (MSRB) and the Electronic Municipal Market Access (EMMA) data base.
- Munistat Services bond offering data base.
- Bloomberg Terminal.
- Interest rate yield curve (United States Treasury data).
- Federal Reserve project.
- New York Local Finance Law.
- Bond Buyer publication on UAlbany webpage.


- The Federal Reserve System Purposes & Functions, Chapters 1 to 4.
- Gagnon, Raskin, Remache, Sack. *Large-Scale Asset Purchases by the Federal*
Reserve: Did They Work? Federal Reserve Bank of New York Staff Report No. 44.

-Doty Chapters 1-5 (pages 1 to 78).
-Petitt, Chapters 1-2.
-Albany County Bonds. Pdf.
-2016 Albany County Bond Offering Statement.
-Colonie Landfill Bonds 2012 Offering Statement.
-City of Detroit Bankruptcy.

#3 Thur. Feb 4: Fundamentals of credit analysis: Petitt Chapter 5; Doty Chapters 6-12, and the appendices (pages 79-178).


#4 Thur. Feb. 11: Municipal bond credit analysis and financial condition studies.

Moody’s Investors Service materials.
Standard & Poor’s Corporation.
The New York State Financial Restructuring Board.
The Office of the New York State Comptroller Financial Stress System.
Individual class project credit analysis session workshop. (Pick a bond from EMMA and begin to analyze it).

- Bonds selling at a discount, at par value, and at a discount.
- Yield to maturity.
- Miscellaneous bond valuation techniques.
- Bond yield duration.


#6 Thur. Feb 25: Petitt Chapter 4 Fixed Income Risk and Return


#7 Thur. Mar. 3: Petitt Chapter 7 Asset Backed Securities.

- Securitization concepts.
- Special purpose entities.
- Mortgage loans and mortgage securities.
- Non-mortgage loan securities.
- Collateralized debt obligations.


#8 Thur. Mar. 10: Federal Reserve Team Presentations Due. Petitt Chapter 9 Valuing Bonds With Embedded Options.


NO CLASS MARCH 17 University Classes Closed

#9 Thur. Mar. 24: Petitt Chapter 10 Term Structure of Interest Rates.
- Forward and spot rates.
- Yield curve and yield curve risk.


#13 Thur. Apr. 21: Additional material on derivatives, futures and options.


#14 Thur. Apr 28: Yield Curve Team Project due and course recap.

No Class May 5 Reading Day

#15: Thur. May 12: Two Hour Open Book Exam (25 percent of grade).

Schedule of Graded Items.

1. Mar. 10: Team Project on Federal Reserve System due. (20%).
2. Apr. 14: Individual term papers due. (25%).
3. Apr. 28: Team Project on Yield Curve due. (20%).
4. May 12: Bond course exam. (25%).
5. Ongoing: Class participation (10%).