candidates should be able to:

Demonstrate knowledge of fixed-income arbitrage. Including:

* Understand the core of fixed-income arbitrage strategies.
* Recognize types and characteristics of fixed-income arbitrage strategies and apply the concept of modified duration to bond returns and volatility.
* Recognize the characteristics of asset-backed and mortgage-backed securities strategies.
* Discuss and determine the effects of prepayment risk and option-adjusted spreads on asset-backed and mortgage-backed securities strategies.
* Analyze the five risks of asset-backed and mortgage-backed securities arbitrage.
* Summarize the key observations on fixed-income arbitrage returns that are consistent with economic reasoning.