**16.** The bond price equation for this bond is:

$P_0 = \$960 = \$37(PVIFA_{R\%,18}) + \$1{,}000(PVIF_{R\%,18})$

Using a spreadsheet, financial calculator, or trial and error we find:

$R = 4.016\%$

This is the semiannual interest rate, so the YTM is:

$YTM = 2 \times 4.016\% = 8.03\%$

The current yield is:

Current yield = Annual coupon payment / Price = \$74 / \$960 = .0771 or 7.71%

The effective annual yield is the same as the EAR, so using the EAR equation from the previous chapter:

Effective annual yield = $(1 + 0.04016)^2 - 1 = .0819$ or 8.19%