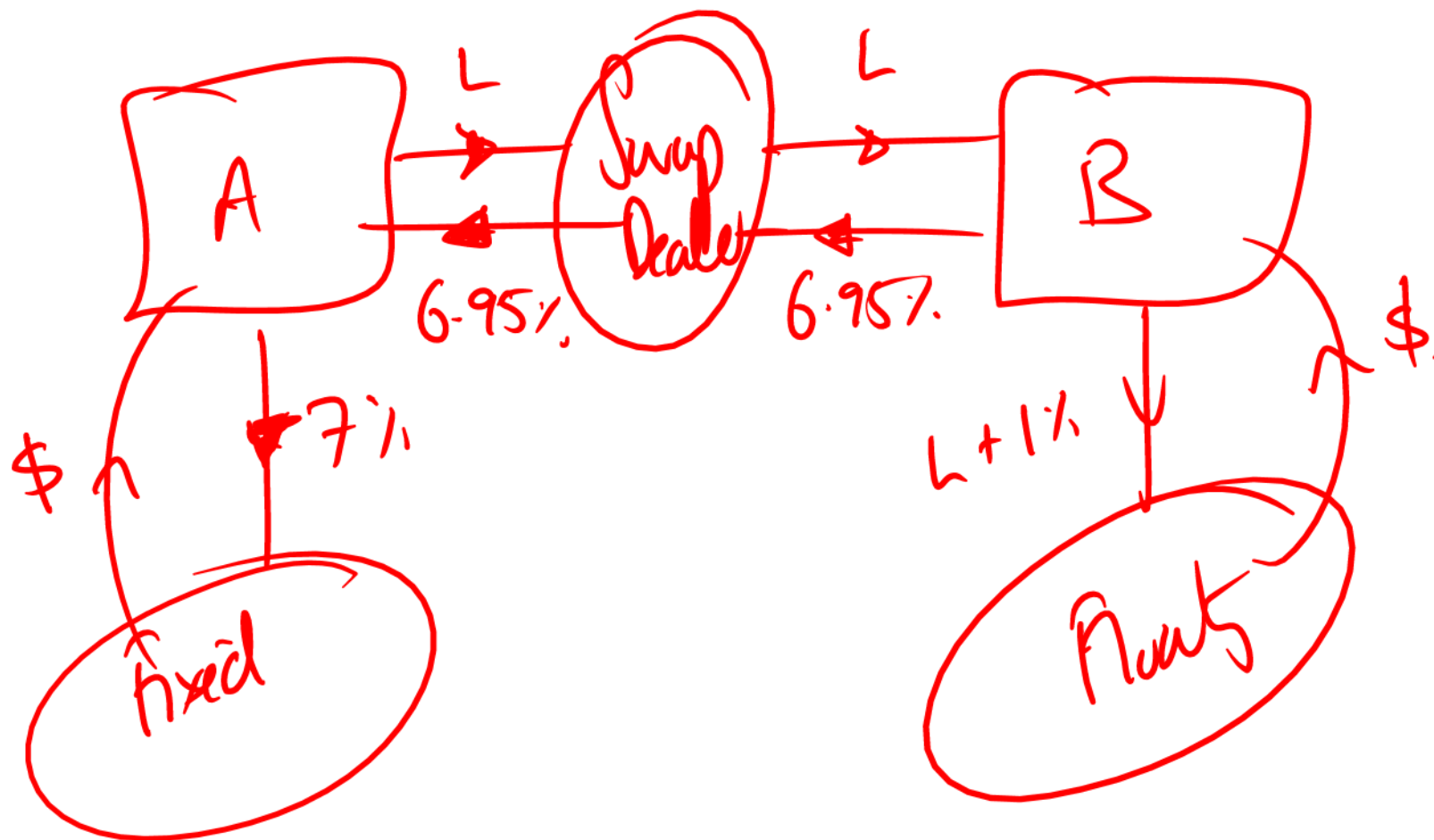


STUART JACKMAN



A exposure
 $L + 5bps$

B's exposure
 7.95%

$$PV \left[\begin{array}{c} \text{Fixed} \\ \text{leg side} \end{array} \right] = PV \left[\begin{array}{c} \text{floating} \\ \text{side} \end{array} \right]$$

known

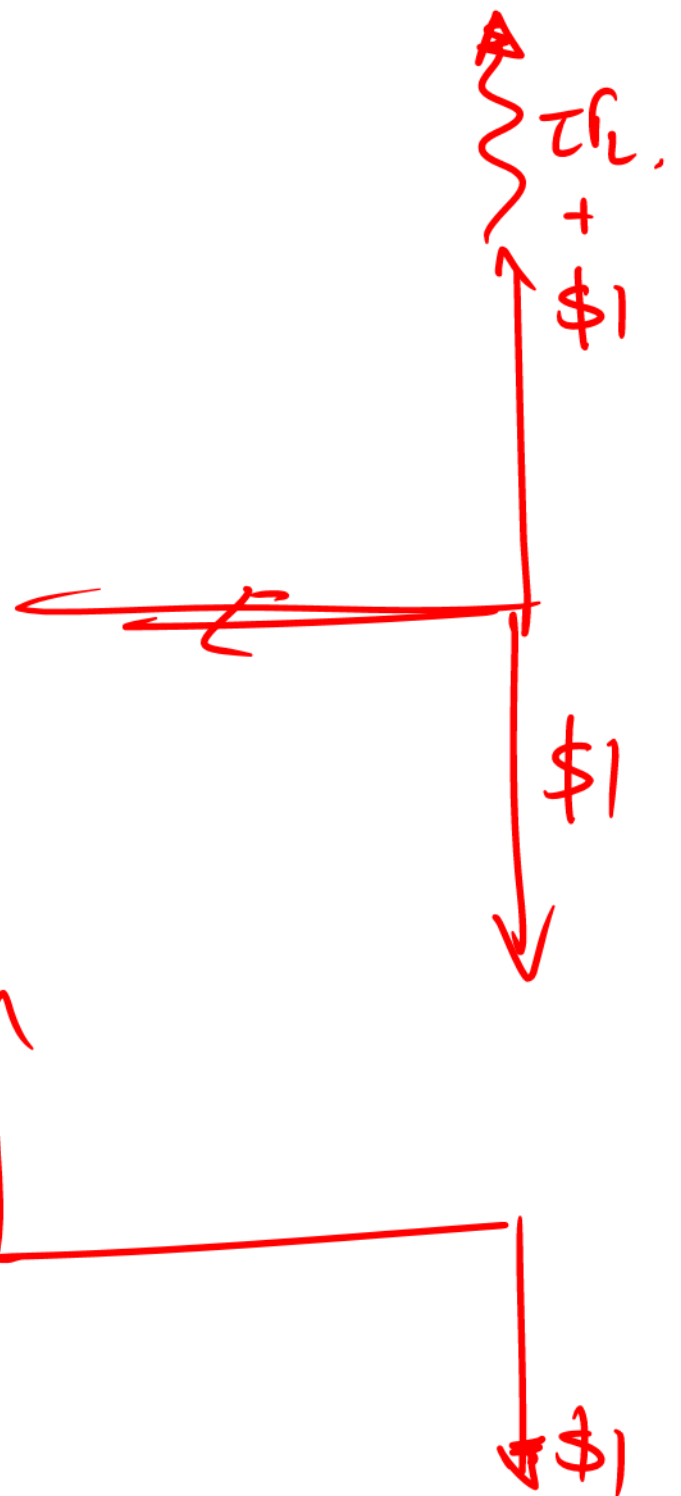
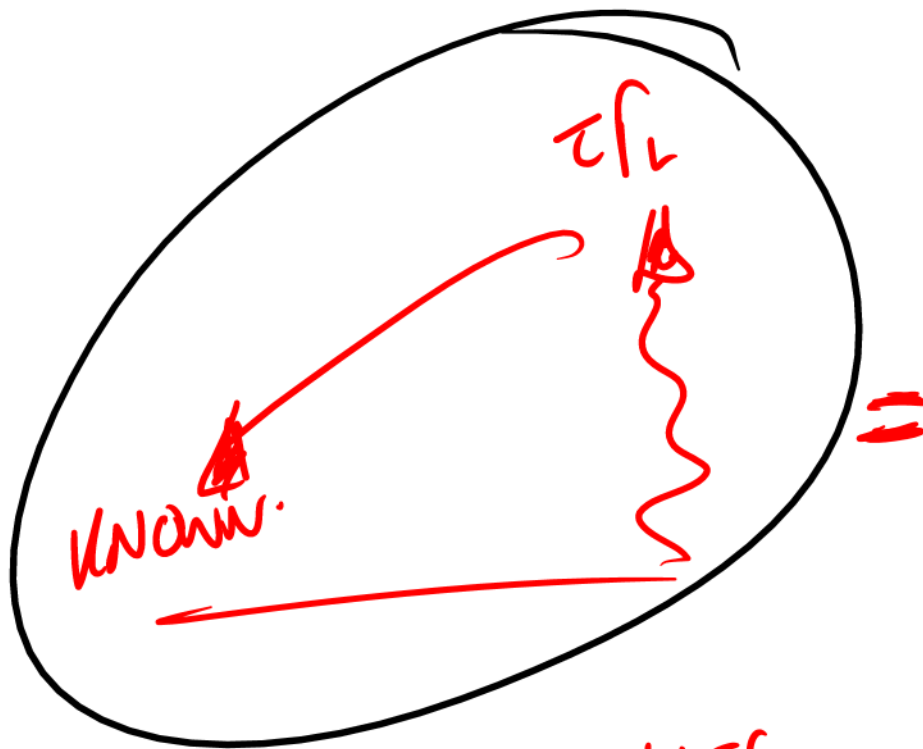
h

h

h

$$PV \sum_{i=1}^n Z(t, T_i) = 1 - Z(t, T_N)$$

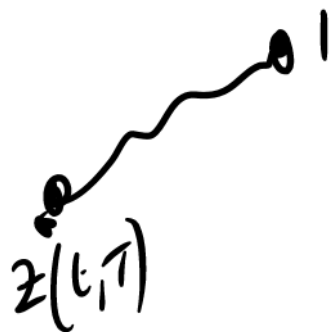
(fixed) (floating)



$$\frac{1 + r_L}{1 + r_L} \quad \$1$$

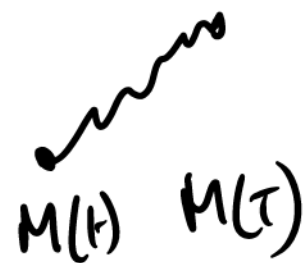
=

$$\begin{aligned} & \xrightarrow{x(1 + r_L)} \\ & \leftarrow (1 + r_L) \end{aligned}$$



$$dM = r(t) \cdot M \cdot dt$$

$$\int_t^\tau \frac{dM}{M} = \int_t^\tau r(\tau) d\tau$$



$$M(\tau) = M(t) e^{\int_t^\tau r(\tau) d\tau}$$

or

$$1 = z(t, \tau) e^{\int_t^\tau r(\tau) d\tau}$$

have

$$-\frac{1}{V} \frac{dV}{dy} = \frac{+(T-t) e^{-y(T-t)} + \sum C_i (t_i - t) e^{-y(t_i - t)}}{e^{-y(T-t)} + \sum C_i e^{-y(t_i - t)}}$$