Q2

We first calculate the **discount rate** for the period as zero bond price/100: essentially, the PV of a future cash flow equal to the future value multiplied by the discount rate of that maturity. We label 10 discount rate d1,d2,…d10 from 6 months away to 10 years away.

Then assume coupon rate c, the price of a bond matured at k is essentially . Thus, for bond priced at par,



