**Question 2**

What is the effective interest rate payable on a 1 year loan for GBP 100 at 10% per annum nominal, when the rate is compounded:

1. Annually?

Effective interest rate = (1+10%/1)1-1 = 0.10

1. Semi-annually?

Effective interest rate = (1+10%/2)2-1 = 0.1025

1. Daily?

Suppose a year has 365 days,

Effective interest rate = (1+10%/365)365-1 = 0.1052

**Question 5**

Face value: $100.00

Maturity: 2 years

Yield: 5.90%

Coupon: 7.5%, semi-annual

1. Calculate the price of the US Treasury bond above, rounded to 2 decimal places: