

### **Analysis of Bond Spread in a Span of 10 years**

In the excel analysis, we have done the comparison of Lockheed Martin Corporation in comparison to US 10 YEAR TREASURY BOND. In this project, we have shorted the US treasury bond. The following is the understanding of the Decision.

The examination compares a US Treasury bond with a Lockheed Martin corporate bond that share a similar maturity. Currently, the Treasury bond yields 4.17%, while the Lockheed Martin bond yields 4.51%, indicating a credit spread of 0.34%.

The analysis assesses the impact on bond prices in response to a +/- 20 basis point (0.20%) shift in yields.

#### **In the case of a 20bps increase in yields:**

The Treasury bond price would decrease by \$151,100.

The Lockheed bond price would decrease by \$152,222.

#### **In the event of a 20bps decrease in yields:**

The Treasury bond price would increase by \$153,999.

The Lockheed bond price would increase by \$153,876.

Therefore, the Lockheed Martin bond demonstrates greater sensitivity to yield changes. Despite these fluctuations, the credit spread between the two bonds remains relatively stable at around 0.34% for these alterations in yields.

By considering the above scenarios in different BPS changes, If there is a highest change at 20 BPS in favour of my position, i.e the point where I have the highest amount of profit, I'll exit my position in the company as holding the position may not be profitable in the long term. In the changing scenarios, considering the current economic outturns, I'll be more eager to sell my position than holding them as the same process is not ideal for getting the highest amount of profit with the lowest amount of risk that we will be taking by entering into the transaction.