HW 2

① $d^{(4)} = 0.08$ equivalence rates

$i, d, d^{(m)}, i^{(m)}$ $m = 2, 6, 12$

$$1 - d = \left(1 - \frac{d^{(4)}}{4}\right)^4 \qquad 1 - \frac{.08}{4}$$

$$d = 1 - \left(1 - \frac{d^{(4)}}{4}\right)^4$$

$$= 1 - (1 - .02)^4 \qquad 1 - .98^4$$

$$d = 0.0776$$

$$i = \frac{1}{1-d} - 1 = 0.0842$$

$$d^{(m)} = m\left(1 - (1-d)^{\frac{1}{m}}\right) \qquad m = 2, 6, 12$$

$$i^{(m)} = m\left((1+i)^{\frac{1}{m}} - 1\right)$$

$$d^{(2)} = 2\left(1 - (1 - .0776)^{\frac{1}{2}}\right)$$

$$d = .079$$

$$i = \frac{1}{1 - .079} - 1 = .086$$