FRE-GY-6971 HW1

1. Explain (briefly) how these CMT rates are constructed.

CMT rate (constant maturity Treasury rates) is an average yield on United States Treasury securities adjusted to a certain constant maturity (mostly often used is one year). Yields are interpolated by the United States Treasury from the daily yield curve. CMT rates are read from fixed, constant maturity points on the yield curve, which is different from CMT yields, which are read directly from the Treasury daily yield curve.