17-52-05 133.2 2 03 1 100×1.2 × 0-9 = 108 Solution 100X1.LX1.05 = 126 (a) 1 100X1-2 X1.12 = 138 + 100×0.9 ×1.2 = 108 1 100×09 X1.15 =103.5 100×1, 5, 1.2 = 126 123.48 bonds 1100 XI. 05 = 120.75 4100×1.13 ×1.15 = 132.25 (b) optimal policy the first year choose stock if economic environment is growth, the second year choose

if economic environment is Recession the second year choose bonds