Q. (4.0) = (7.0) = (7.0) Cash flows : Time 0 0.5 1 1.5 1 1.5 Sweep 1 100 100.35 swap 2 100 0.4 100.4 sway 3 100 0.5 to 100.5 swap 4 100 0.6 0.6 0.6 100.6 d(0.5) = (00.5) = 0.996512 d(1) = (100-0.4(d(051)) = 0.992046 d(1.5) = (100-0.5d(0.5)-0.5d(1)) = 0.985132 d(2) = 100-0.6ded)-0.6de)-0.6de+) = 0.9763 100.6 f(0.t) = 2 (d(0.t) -1) = 0.007 $f(1) = 2(d(1)^{-\frac{1}{2}} - 1) = 0.006002$ f(1.5) = 2(d(1.5)-12/13-1) = 0.0/00/2 f(2) = 2(d(2) - 1) = 0.012021

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17:37

There is arbitrage apportunity, by shorting swap and longing Par Bond, we can get pritive cash flow in the fature.

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Par Bond

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