EC 370 **Name:** ____________________

Xiang LI (GE)

Participation 4 (Chapter 4) **UO ID:** ____________________

INSTRUCTIONS: Answer the following questions. Write legibly, take a high quality scan of your responses, compile all pages into one pdf, and upload only one pdf document to Canvas by **11:59pm (PDT), Sunday, June 7**.

QUESTION 1

At t (today), you spend 1,000 to buy a 10%-coupon-rate coupon bond that has face value of 1,000. The current interest rate is 10%. At $t+1$, you sell the bond after holding for 1 year. Suppose at $t+1$ (1 year from today), the interest rate rises to 20%. Complete this table.

	Price of bonds today($)	Current yield	Price of bond next year($)	Rate of capital gain	Rate of return
5 years to maturity when bond is purchased	1000				
2 years to maturity when bond is purchased	1000				
1 year to maturity when bond is purchased	1000				