

ROAD MAP. BOND PRICING AND INTEREST RATES

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The conceptual material for these lectures is covered in class notes & in the book *Investments* by Bodie, et.al., chapters 14 and 15.

I. We will first learn:

- Discounting concepts
- Equations that determine Bonds' prices
- Derive the yield to maturity from a bond's price
- Duration

II. Economy-wide interest rates

- The Taylor Rule & how the Central Bank sets the Overnight rate
- Analyze the FOMC, BOJ, and ECB interest rate decision processes
- Analyze the Term Structure of interest rates

III. Applications. We will apply these theoretical concepts to:

- Explain changes in Bond Prices & interest rates
- Forecast future Feds funds rates using the Taylor Rule
- Use Futures Contracts to determine the feds funds forecasts of market participants & associated probabilities.