## Quiz 08 for Sept 21

Started: Sep 15 at 10:34pm

## **Quiz Instructions**

Complete this quiz by 11:00 a.m. on Wednesday September 21. Read the question carefully and use caution in submitting your answers. No credit is given for incorrectly submitted answers.

Question 1 1 pts

Consider two coupon bonds that make semi-annual coupon payments. One bond matures in exactly 1/2 year, has an annual coupon rate of 4%, and has a market price of  $B_0$ = \$100.47 per face (principal) value of F=\$100. The second bond matures in exactly one year, has an annual coupon rate of 8%, and has a market price of  $B_0$ =\$103.884 per face (principal) value of F=\$100. What is the discount function at a maturity of 1 year, P(0,1)?

State your answer to the third decimal point, e.g., 0.974.

0.961

Question 2 1 pts

Consider three coupon bonds that make semi-annual coupon payments. One bond matures in exactly 1/2 year, has an annual coupon rate of 4%, and has a market price of  $B_0$ = \$100.47 per face (principal) value of F=\$100. The second bond matures in exactly one year, has an annual coupon rate of 8%, and has a market price of  $B_0$ =\$103.884 per face (principal) value of F=\$100. The third bond matures in exactly 1.5 years, has an annual coupon rate of 3%, and has a market price of  $B_0$ =\$97.923 per face (principal) value of F=\$100. What is the discount function at a maturity of 1.5 years, P(0,1.5)?

State your answer to the third decimal point, e.g., 0.974 .

Question 3 1 pts

Consider three coupon bonds that make semi-annual coupon payments. One bond matures in exactly 1/2 year, has an annual coupon rate of 4%, and has a market price of  $B_0$ = \$100.47 per face (principal) value of F=\$100. The second bond matures in exactly one year, has an annual coupon rate of 8%, and has a market price of  $B_0$ =\$103.884 per face (principal) value of F=\$100. The third bond matures in exactly 1.5 years, has an annual coupon rate of 3%, and has a market price of  $B_0$ =\$97.923 per face (principal) value of F=\$100. What is the continuously-compounded forward rate for an investment starting in 1/2 year and ending in one year?

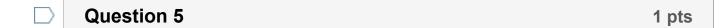
State your answer as an annualized continuously-compounded percentage interest rate to two decimal places, e.g., 3.64.

4.93

Question 4 1 pts

Consider three coupon bonds that make semi-annual coupon payments. One bond matures in exactly 1/2 year, has an annual coupon rate of 4%, and has a market price of  $B_0$ = \$100.47 per face (principal) value of F=\$100. The second bond matures in exactly one year, has an annual coupon rate of 8%, and has a market price of  $B_0$ =\$103.884 per face (principal) value of F=\$100. The third bond matures in exactly 1.5 years, has an annual coupon rate of 3%, and has a market price of  $B_0$ =\$97.923 per face (principal) value of F=\$100. What is the semi-annually compounded par rate for a maturity of 1.5 years?

State your answer as an annualized semi-annually compounded percentage interest rate to two decimal places, e.g., 3.64.



Ask one or more questions or make one or more comments on the material covered in this class.

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If there are any transaction fee, how should we include those when valuating?

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