Finance 510-A
Problem Set to prepare for Quiz 2

Today is November 15, 2017, and you see the following STRIPS prices: (In answering this you may assume that there is exactly 1/4 of a year in all calendar quarters.)

Maturity	Price (% of par)
Feb 15, 2018	99.6815
May 15, 2018	99.3295
Aug 15, 2018	98.9223
Nov 15, 2018	98.5167
Feb 15, 2019	98.0885
May 15, 2019	97.6379
Aug 15, 2019	97.2497
Nov 15, 2019	96.7670
Feb 15, 2020	96.2628
May 15, 2020	95.7375
Aug 15, 2020	95.3214
Nov 15, 2020	94.7661
Feb 15, 2021	94.2818
May 15, 2021	93.7581
Aug 15, 2021	93.3274
Nov 15, 2021	92.8252
Feb 15, 2022	92.3553
May 15, 2022	91.8424
Aug 15, 2022	91.4092
Nov 15, 2022	90.8430
Feb 15, 2023	90.3139
May 15, 2023	89.8768
Aug 15, 2023	89.1875
Nov 15, 2023	88.7449
Feb 15, 2024	88.3045
May 15, 2024	87.8663
Aug 15, 2024	87.2551
Nov 15, 2024	86.6954
Feb 15, 2025	86.0999
May 15, 2025	85.6249
Aug 15, 2025	85.1178
Nov 15, 2025	84.6095
Feb 15, 2026	84.1000
May 15, 2026	83.5896
Aug 15, 2026	82.8626
Nov 15, 2026	82.2721
Feb 15, 2027	81.7525
May 15, 2027	81.2322
Aug 15, 2027	80.7890
Nov 15, 2027	80.1896

1. Plot the yield curve.

2. According to this information, what is the value of the following Treasury note: 6% of Nov 15, 2026?

3. According to this information, what is the value of the following Treasury note: 3.25% of May 15, 2018?

4. According to this information, what is the value of the following Treasury note: 4.5% of Nov 15, 2019?

5. According to this information, what is the value of the following Treasury note: 1.5% of Aug 15, 2027?

6. With reference to the four notes in the preceding questions, which of these notes are selling at a premium and which are selling at a discount? Explain why this is so.

7. Use Solver to compute the yield-to-maturity of the four notes. Use the yield-to-maturity to inform your discussion about why the notes are selling at a premium or discount.