## Problems. Show all work!

1. Consider a 3 -year Treasury STRIPS that has a current price of 74.6215 . What is this STRIPS':
(a) (9 points) Bond-equivalent yield-to-maturity?
(b) (8 points) Continuously-compounded yield-to-maturity?
(c) (8 points) Annually-compounded yield-to-maturity?
2. ( $\mathbf{9}$ points) A 6.5 -year STRIPS has a bond-equivalent yield-to-maturity of $4.30 \%$. What is the price of this security?
3. (9 points) A 6.5-year STRIPS has a continuously-compounded yield-to-maturity of $4.30 \%$. What is the price of this security?
4. (8 points) Suppose that you deposit $\$ 2,000$ into a 5 -year bank Certificate of Deposit that earns $5 \%$ compounded monthly. What will the value of this CD be when it matures in 5 years?
5. (8 points) Suppose that you deposit $\$ 2,000$ into a 3 -year bank Certificate of Deposit that earns $3 \%$ compounded continuously. What will the value of this CD be when it matures in 3 years?
6. (12 points) How long will it take a Certificate of Deposit to triple in value if it earns $9 \%$ compounded continuously?
7. (12 points) How long will it take a Certificate of Deposit to triple in value if it earns $10 \%$ compounded monthly?
8. What is the effective annual yield of:
(a) (8 points) $8.5 \%$ compounded daily?
(b) (8 points) $8.4 \%$ compounded continuously?
