Fixed Income
Problem set to prepare for Quiz 1 on bonds

Problems. Show all work. Clearly indicate your answer to each question. For the purposes of this problem set assume that any 6-month period is exactly one-half of a year, and that any 3-month period is exactly one-fourth of a year. Prices are reported in decimal format.

Today is Thursday, May 14, 2019. You observe the following STRIPS quotes on Bloomberg: (STRIPS prices are quoted in percentage of par terms, on a decimal basis.)

Maturity	Bid	Ask
August 15, 2019	99.4282	99.4592
November 15, 2019	98.8287	98.8607
February 15, 2020	98.2080	98.2400
May 15, 2020	97.5895	97.6220
August 15, 2020	96.9426	96.9756
November 15, 2020	96.2371	96.2704
February 15, 2021	95.5199	95.5539
May 15, 2021	94.8190	94.8531
August 15, 2021	94.0794	94.1104
November 15, 2021	93.3454	93.3894
February 15, 2022	92.6751	92.7241
May 15, 2022	91.9155	91.9655
August 15, 2022	91.2075	91.2575
November 15, 2022	90.3374	90.3774
February 15, 2023	89.3432	89.3842
May 15, 2023	88.3380	88.3780

1. What is the clean price of the August 15, 2019 7.875% note?
   (a) What is this note's yield to maturity? Explain.
2. What is the clean price of the November 15, 2021 5.5% note?
   (a) Without doing any additional calculations, what can you say about this note's yield to maturity? Explain.
3. What is the clean price of the August 15, 2021 2.75% note?
   (a) Without doing any additional calculations, what can you say about this note's yield to maturity? Explain.