

1. A 8%, 20-year bond is currently selling for \$1,125. What is the current yield? What is the Yield-to-Maturity (YTM)?

2. The bond in problem 1 is callable in 5 years at \$1,050. What is the Yield-to-Call (YTC)?

3. A 10-year bond is currently selling for \$925. The nominal rate is 9%. What is its current yield and YTM?

- 4) If the bond in problem 3 is callable in 5 years at \$1,030, what is the YTC?

- 5) A married couple from California is in the 31% Federal tax bracket and the 8% California tax bracket. They are considering a 5¼% Hawaii municipal bond (Federal tax-free), a 5% California bond (double tax-free) or a 7¾% corporate bond (fully-taxable). Which bond offers the highest after-tax interest rate?

- 6) A California investor is in the 35% Federal tax bracket and the 9% California tax bracket. He has the choice of a 5% Ohio municipal bond (Federal tax-free), a 4½% California bond (double tax-free) or a 7½% corporate bond (fully-taxable). Which bond offers the highest after-tax interest rate?
- 7) Using annual compounding, what would you predict the price would be for a 20-year, 7% bond priced to yield 5%?
- 8) Using annual compounding, what would you predict the price would be for a 10-year, 6% bond priced to yield 9%?
- 9) A 10-year zero coupon bond is yielding 5%. Using annual compounding, what would you predict the price would be for the bond? (Hint: What is different about a zero-coupon bond?)
- 10) A 20-year zero coupon bond is currently priced at \$215. What is the bond's annualized yield? (Hint: Think backwards)