Problem Set 2 for Economics 180.266:  
Financial Markets and Institutions  
Due at the beginning of class on September 26

Note: Point totals are shown at the beginning of each question.

1. (10 pts). What was the 3 month LIBOR (Dollar) interest rate on September 17 2019? What was the SOFR rate on that date?

2. (20 pts). A thirty-year bond has a 3 percent coupon and interest rates are 2.5 percent (annual rate with semiannual compounding). The face value of the bond is $1,000. What is the price of the bond?

3. (20 pts). A ten-year note trades for $950. The face value of the bond is $1,000. The coupon rate is 3.5 percent. What is the yield to maturity of the bond with semiannual compounding?

4. (10 pts). What is the maturity date and coupon rate of the current on-the-run thirty-year bond?

5. (10 pts). (a) Which is worth more: a callable bond or a plain vanilla bond?  
(b) Which is worth more: a convertible bond or a plain vanilla bond?

6. (20 pts). Plot the spread between the federal funds rate (FDFD index) and the one month Treasury bill rate (USGG1M Index) at the daily frequency since August 1, 2014.

7. (10 pts). What is the debt-GDP ratio in Japan?