Lecture Notes 12

Bonds and the Term Structure of Interest Rates: Pricing, Yields, and (No) Arbitrage

I. Readings and Suggested Practice Problems

II. Bonds Prices and Yields (Revisited)

III. The Term Structure of Interest Rates (The Yield Curve)

IV. Theories of the Term Structure

V. Additional Readings

Buzz Words: YTM, IRR, Current Yield, Discount/Premium relative to Par, Default Risk, Credit Ratings, Forward Rates, Expectations Theory, Liquidity Premium Theory
I. Readings and Suggested Practice Problems

A. BKM, Chapter 14.

We covered the essentials of this chapter in Lecture Notes 3. Still, a review is useful before discussing the term structure of interest rates and bond portfolio management. You are NOT required to read the *After-Tax Returns* discussion on p. 434.

*Suggested Problems: 3, 4, 31 b, c, d, e, g, h, k, l.*

B. BKM, Chapter 15.

*Suggested Problems: 8, 13, 22.*