Chapter 16 Managing Bond Portfolios

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Chapter 16 Managing Bond Portfolios Chapter 16 - Managing Bond Portfolios. STUDY. Flashcards. Learn. Write. Spell. Test. PLAY. Match. Gravity. Created by. srinikethgande PLUS. Key Concepts: Terms in this set (14) The duration of a bond is a function of the bond's - coupon rate - yield to maturity - time to maturity. Chapter 16 - Managing Bond Portfolios Flashcards | Quizlet Start studying Chapter 16 - Managing Bond Portfolios. Learn vocabulary, terms, and more with flashcards, games, and other study tools. Chapter 16 - Managing Bond Portfolios Flashcards | Quizlet Chapter 16 Managing Bond Portfolios Interest Rate Risk We have seen already that bond prices and yields are inversely related, and we know that interest rates can fluctuate substantially. As interest rates rise and fall, bondholders experience capital losses and gains. Interest Rate Sensitivity The sensitivity of bond prices to changes in market interest rates is obviously of great concern to ... Chapter 16.docx - Chapter 16 Managing Bond Portfolios ... Chapter 16 Managing Bond Portfolios Multiple Choice Questions 1. The duration of a bond is a function of the bond's A) coupon rate. B) yield to maturity. C) time to maturity. D) all of the above. E) none of the above. Answer: D Difficulty: Easy Rationale: Duration is calculated by discounting the bond's cash flows at the bond's yield to maturity and, except for zero-coupon bonds, is always ... Chapter 16 Managing Bond Portfolios - Chapter 16 Managing ... Chapter 16 - Managing Bond Portfolios 16-3 6. a. Bond B has a higher yield to maturity than bond A since its coupon payments and maturity are equal to those of A, while its price is lower. (Perhaps the yield is higher because of differences in credit risk.) Therefore, the duration of Bond B must be shorter. b. Bond A has a lower yield and a lower coupon, both of which cause Bond A to have a longer duration than Bond B. CHAPTER 16: MANAGING BOND PORTFOLIOS 16-1 chapter 16: managing bond portfolios 16-2 • Inverse relationship between price and yield • An increase in a bond s yield to maturity results in a smaller price decline than the gain associated with a decrease in yield • Long-term bonds tend to be more price sensitive than short-term bonds Bond Pricing Relationships Managing Bond portfolios - CHAPTER 16 MANAGING BOND ... View Notes - Chapter 16 Managing Bond Portfolios from ACCOUNTING 8825 at Boston College. Chapter 16 Managing Bond Portfolios 1 Change in Bond Price as a Function of Change in YTM 2 Prices of 8% Chapter 16 Managing Bond Portfolios - Chapter 16 Managing ... CHAPTER 16: MANAGING BOND PORTFOLIOS Solutions to Suggested Problems 2. Duration can be thought of as a weighted average of the maturities of the cash flows paid to holders of the perpetuity, where the weight for each cash flow is equal to the present value of that cash flow divided by the total present value of all cash flows. CHAPTER 16: MANAGING BOND PORTFOLIOS 1 CHAPTER 16: MANAGING BOND PORTFOLIOS PROBLEM SETS 1. While it is true that short-term rates are more volatile than long-term rates, the longer duration of the longer-term bonds makes their prices and their rates of return more volatile. The higher duration magnifies the sensitivity to interest-rate changes. 2. Chapter 16 Solutions.pdf - CHAPTER 16 MANAGING BOND

... Start studying Chapter 16- Managing Investment Portfolio. Learn vocabulary, terms, and more with flashcards, games, and other study tools. Study 49 Terms | Chapter 16- Managing Investment Portfolio ... CHAPTER 16: MANAGING BOND PORTFOLIOS 1. The percentage change in the bond’s price is: ... the bond exhibits negative convexity. 16-2 . 7. In each case, choose the longer-duration bond in order to benefit from a rate decrease. a. The Aaa-rated bond will have the lower yield to maturity and therefore the ... manager who is holding a portfolio ... CHAPTER 16: MANAGING BOND PORTFOLIOS Chapter 16 Change in Bond Price as a Function of Change in Yield to Maturity Inverse relationship between price and yield. An increase in a bond’s yield to maturity results in a smaller price decline than the gain associated with a decrease in yield. Long-term bonds tend to be more price sensitive than short-term bonds. Chapter 16 Managing Bond Portfolios Flashcards in BKM Chapter 16 - Managing Bond Portfolios Deck (17) 1 What are the six general properties of bond prices? 1. Bond prices and yields are inversely related: as yields increase, bond prices fall; as yields fall, bond prices increase. 2. An increase in a bond's yield to maturity results in a smaller price change than a decrease in ... BKM Chapter 16 - Managing Bond Portfolios Flashcards by ... Chapter 16 Managing Bond Portfolios Multiple Choice Questions (DOC) Chapter 16 Managing Bond Portfolios Multiple Choice ... CHAPTER 16. Managing Bond Portfolios. INVESTMENTS |. BODIE, KANE, MARCUS. Bond Pricing Relationships. • Bond prices and yields are inversely related. • An increase in a bond’s yield to maturity results in a smaller price change than a decrease of

equal magnitude. CHAPTER 16 Chapter 16 - Managing Bond Portfolios Chapter 16 Managing Bond Portfolios Chapter 16 Managing Bond Portfolios - modapktown.com Managing Bond Portfolios. Even default-free bonds such as Treasury issues are subject to interest rate risk. Longer-term bonds generally are more sensitive to interest rate shifts than are short-term bonds. A measure of the average life of a bond is Macaulay's duration, defined as the weighted average of the times until each payment made by the ... Managing Bond Portfolios - McGraw-Hill Foundations of Finance: Bond Portfolio Management 2 I. Readings and Suggested Practice Problems BKM, Chapter 16, Sections 16.1-16.3 Suggested Problems, Chapter 16: 16-18. E-mail: Open the Bond Immunization program to generate the examples in Section IV, and to construct your own examples of target-date immunization. II. Bond Portfolio Management I. Readings and Suggested ... Chapter 11 - Managing Bond Portfolios 11-2 8. a. Modified duration = 1 YTM Macaulay duration If the Macaulay duration is 10 years and the yield to maturity is 8%, then the modified duration is: 10/1.08 = 9.26 years b. For option-free coupon bonds, modified duration is better than maturity as a
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