**Activity – Calculating bond yields**

Look at the examples given below and calculate the yields stated for each one.

1. A bond with a coupon of 5%, issued by XYZ plc, redeemable in 2015, is currently trading at £100 per £100 nominal.

What is the flat yield of the bond?

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1. A bond with a coupon of 4%, issued by ABC plc, redeemable in 2025, is currently trading at £78 per £100 nominal.

What is the flat yield of the bond?

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1. 5% Treasury stock 2028 is currently priced at £104 per £100 nominal.

What is the flay yield of the bond?

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1. A company issues a bond priced £65 per £100 nominal, paying 2% coupons half-yearly with redemption in 2024.

What is the flat yield of the bond?

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1. A bond priced at £110 per £100 nominal, with a variable coupon of 1.5% above LIBOR has a redemption date of 2016. LIBOR is averaging 1.2%.

What is the flat yield of the bond?

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1. 2.75% Apple Loan 2030 is trading at £130 per £100 nominal.

What is the flat yield of the bond?

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1. Interest rates fall to 2.25% and the same bond is now trading at £140 per £100 nominal.

What is the new flat yield of the same bond?

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1. Interest rates rise to 3.15% and the same bond is now trading for £85 per £100 nominal.

What is the new flat yield of the same bond?

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1. What do you notice about the relationship between a bond’s yield and the price of the bond?

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