

Annuities

Homework 06

1. Please find a stock from SP 500. Take an actual price on Friday December, 2 2022 (Closing price) and assume the last dividend to be stable. Then calculate the return of the stock.

2. Assume two bonds A and B. The actual market price of A is 151,500,000.00 and the price of B is 20,000,000.00.

Flowing table is giving particular information:

Bond	Nominal	T (years)	coupon	ytm
A	150,000,000.00	100	5.0 %	4.5 %
B	1,500,000.00	∞	7.0 %	6.6 % *

**Bond B is perpetual.*

What bond is better for invest in? Your opinion confirm by appropriate calculation.