**Fixed Income Securities and Analysis – I**

**September 2023 Examination**

**Question 1: Assuming the bond’s YTM increases in the same proportion as that of the Repo Rate, what is the impact on the bond price of the bond issued by company X after the above increase of interest rates? Calculate the predicted bond price by duration.**

**Introduction**

In this financial evaluation, we can determine the duration of a bond issued through company X with the following characteristics: a par fee of INR 1,000, an annual coupon fee of 6%, and 5-yr adulthood length. The present-day value of the bond is INR 1,1/2. In addition, we can evaluate the impact of a 25 basis point boom in the repurchase price at the bond's yield to adulthood (YTM) and forecast the new bond fee using the period concept. With unique problems, it's vital to apprehend that bond prices may be affected by numerous other factors, which include exceptional credit score, market sentiment, macroeconomic conditions, and

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**Question 2: Your manager after reading this headline, asked you to prepare a report on the securitization and how the asset backed securities are formed. Also, it is required to mention how it would pose risk for the investor**

**Introduction**

Securitization is a financial method for aggregating property, along with mortgages, car loans, credit card receivables, and distinctive debt devices, and their conversion into Asset-sponsored Securities (ABS). At some point during the global economic catastrophe of 2007-2008, the training rose to prominence. However, it is now experiencing a resurgence. This file affords a pinnacle-level view of Securitization, the advent of asset-sponsored securities, and the potential dangers it poses to traders. The recent revival of Securitization can be

**Question 3. a : Assuming FD rates as the spot rates, plot a yield curve and also, discuss the shape of the yield curve. (Includes characteristics of the formed yield as well)**

**Introduction**

A yield curve depicts the relationship between interest rates (or yields) and time to maturity for a series of constant-income securities, presuming that other variables stay consistent. In this instance, we can assemble the yield curve using the furnished constant Deposit (FD) costs as market rates. The marketplace quotes depict the bank-quoted interest prices for

**Question 3. b :Based upon the above FD rates, determine:**

**i. 1-year forward rate, 1 year from now**

**ii. 2-year forward rate, 2-years from now**

**iii. 2-year forward rate, 1-year from now**

**Introduction**

We calculated ahead rates for diverse durations primarily based on the supplied FD rates. The 1-year forward momentum, one year from now, is about 6.08 percent, signifying the expected interest fee for a 1-year investment commencing twelve months from now. The 2-12 months ahead rate, years from now, is about 28,15 percent, representing the expected interest rate for