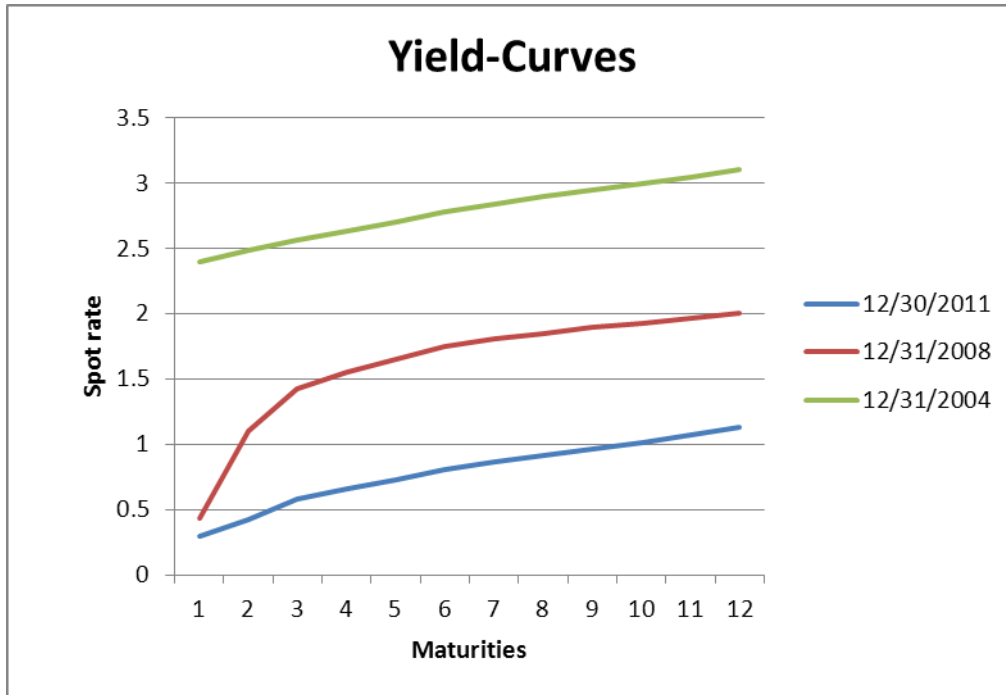


Yield-Curve Strategies

Ryan Poirier
SUNY Plattsburgh

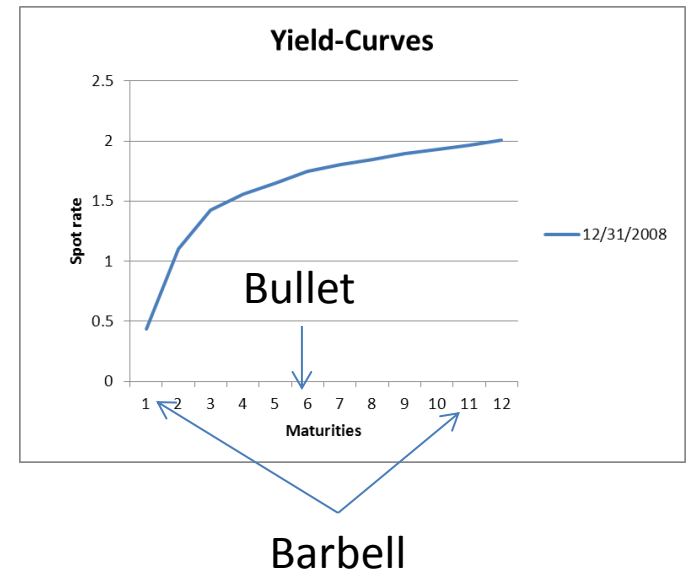
Overview



Strategies :

Bullet: Centralized investment

Barbell: Straddled investment around the corresponding Bullet



Regression

- $(\)$ $(\)$

Where:

-
-
-
-
-

Changes in Coefficients

-
-
-

Notation:

t = time in the sample

s = interval

Change in level at
time t , over the interval s

Interaction between changes in coefficients

-
-

A, B, C, D are to be estimated

These two equations produce the following results:

$$\begin{pmatrix} & | & \\ & | & \end{pmatrix}$$

Equation for rates

- $\begin{pmatrix} \vdots \\ \vdots \end{pmatrix}$
- *The Expected Values come from previous slides
- $\begin{pmatrix} \vdots \\ \vdots \end{pmatrix} \begin{bmatrix} \vdots & \vdots \end{bmatrix}$

determined by market conditions

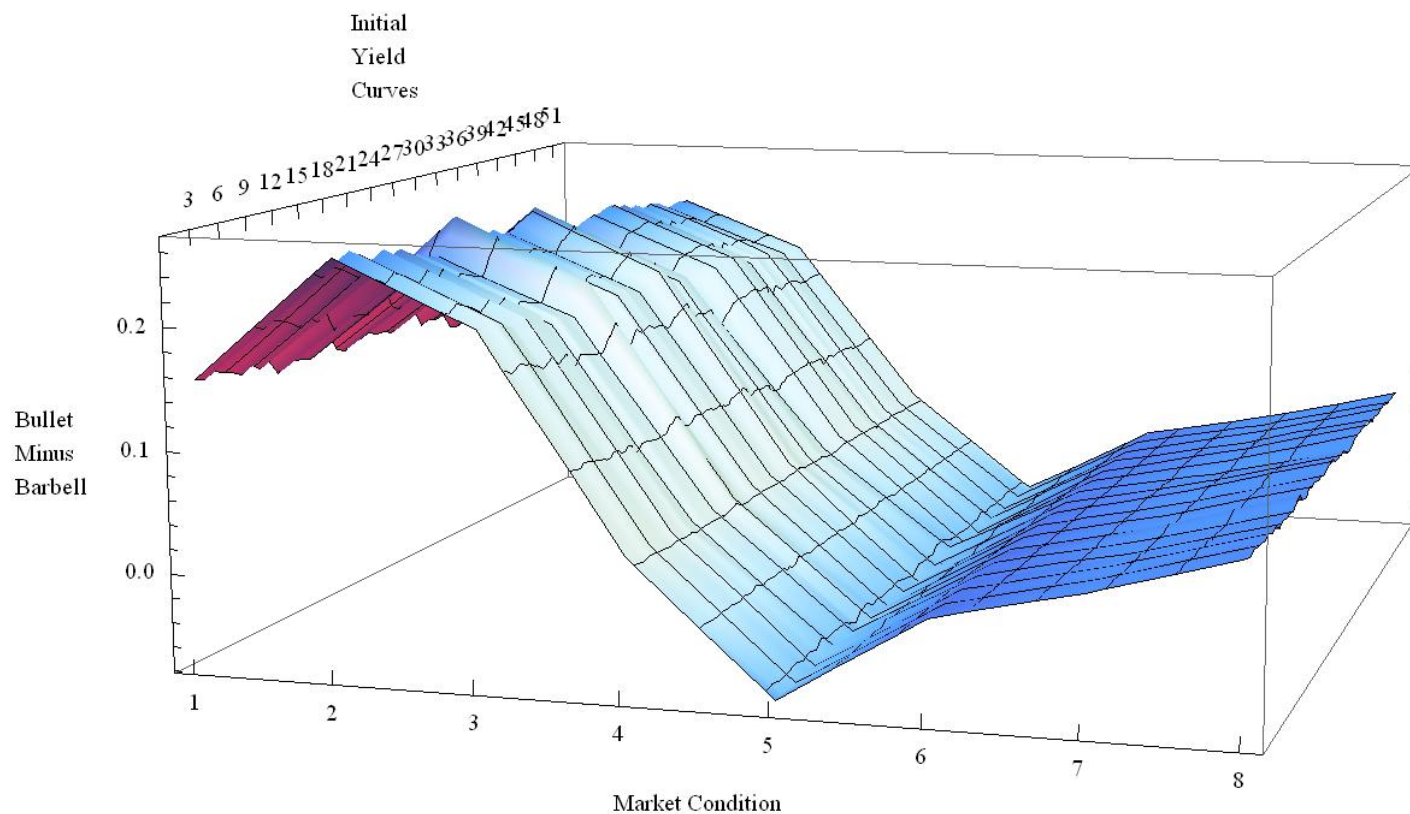
- $$= A(\text{High Bearish}) + B(\text{Medium Bearish}) + C(\text{Low Bearish}) + D(\text{Low Neutral}) + E(\text{High Neutral}) + F(\text{Low Bullish}) + G(\text{Medium Bullish}) + H(\text{High Bullish})$$

Final Estimation of rates

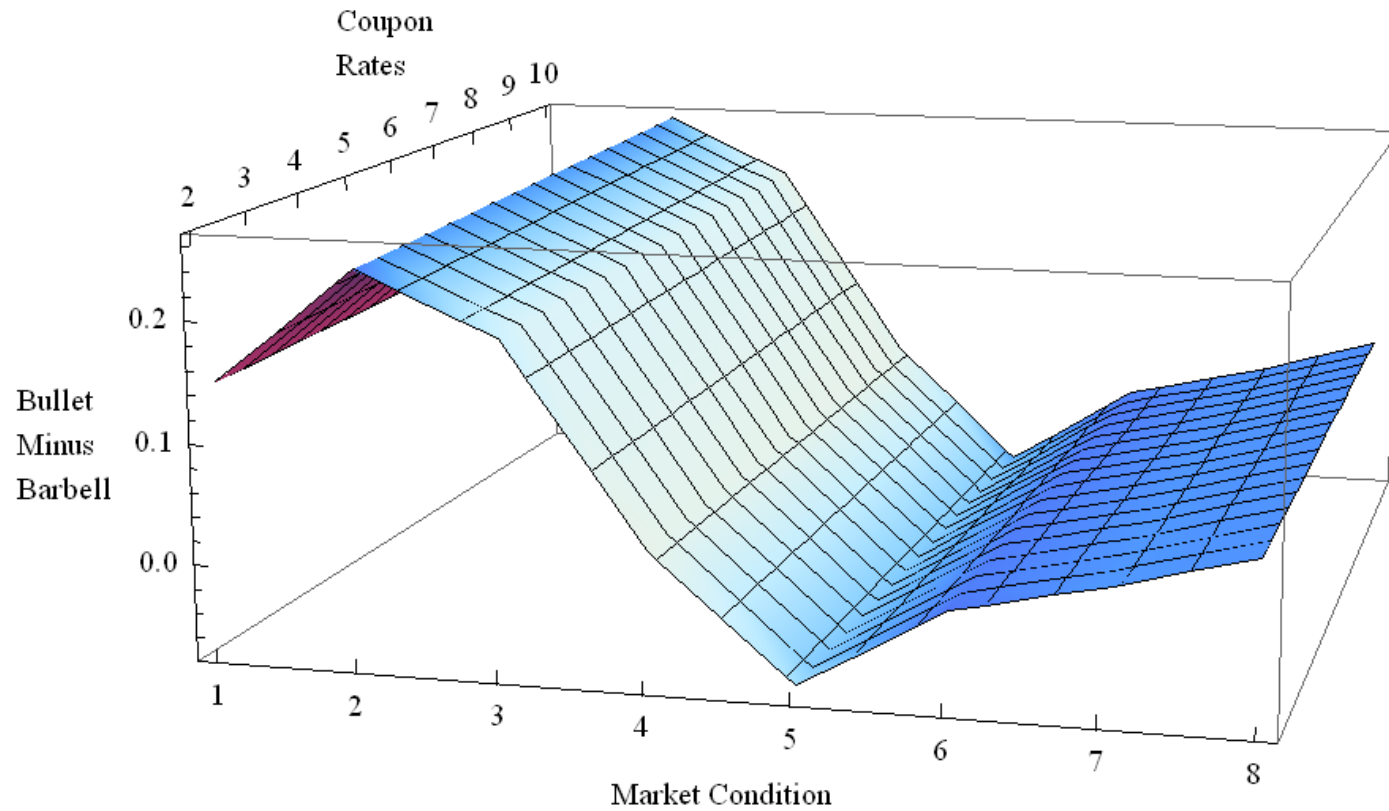
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Initial Yield Curves



Coupon Rates



Term To Maturity

