

## Bonds:

1) "Zero-coupon"

Worth \$1000 on its face

You buy it for \$950

Bond is redeemable in 1 yr.

So I get  $\frac{50}{950} = 5\frac{1}{4}\%$  return.

2) Coupon bond

Buy for \$1000 Get \$50 per year

for 10 yrs.