

Math Example

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Chapter 1. Example

PV of CF today: $CF \times \sum \exp[-f_i t_i]$

PV of CF at each future point in time j : $CF \times \sum_{i>j} \exp[-f_i t_i]$

The relationship between the price of a future and the implied rate is $P=100 \times (1-R \div 4)$, where R is a simple annualized rate, so a change in the price of a future is exactly equal to a change in the rate implied by the future.

If rate f_k changes by one basis point, then the PV of CF today and for all points is changed by $CF \times \sum \exp^{-0.0001 \times t_i}$

Notes

1. Footnote here

Chapter 2. Example

PV of CF today: $CF \times \sum \exp[-f_i t_i]$

PV of CF at each future point in time j : $CF \times \sum_{i>j} \exp[-f_i t_i]$

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