Caselet #1 – Sparky Installs Yield Book Add-in

Learning Outcome Statement

After completing this caselet, students and trainees should have Yield Book Add-in installed and be able to find a bond, display its indicative data and run price/yield analysis.

Caselet #1

Renowned Darla Moore School of Business (DMSB) graduate and bond analyst Ms. Jane Gotzrox extends her heavily bejeweled hand and beckons to you, her new intern.

“Sparky (she calls all of her interns ‘Sparky’), if you are going to learn enough over the next 13 weeks to get the job that you covet, you must learn to use the Yield Book Add-in. Of course, step one of that is to get it installed on your computer. I have already arranged for you to have a Yield Book login. Oh, please, Sparky, no Mac's; the add-in won’t work.

One of your predecessors became a professor and his recordings of how to install Yield Book Add-in and how to find training materials on the Yield Book website will probably prove useful. Go to Blackboard and find, YB Add-in Installation.mp4 and YB Add-in Training from YB Staff.mp4. It will take you a while to listen to the recordings and the Introduction to the Yield Book Add-in webinar, but it is still MUCH faster than figuring it out on your own.

When you have finished that, I want you to open Excel and login to the Yield Book Add-in. When you have logged in correctly, you will see the menu items go from ghostly gray to bold and usable. In the Data area, open ‘Indicative Data/SecuritySearch’ and type 10yr in the ticker box. The on-the-run 10yr will appear.

There are several ways to identify a bond for Yield Book analytics. If you can see the bond’s CUSIP, that is probably easiest. Click control-C on the CUSIP, close the security search box and click control-V in cell A1. You should have the 10s CUSIP in A1. Alternatively, notice the bond’s ticker, coupon and maturity. In the search box, they are in different cells, but to use them as a bond ID, you need to put them in a single cell. When I looked in September, 2014, the on-the-run 10-year was US 2.75 8/15/2024. That would be entered US2.75,8/15/2024 or (if there is only one US bond with a 2.75% coupon maturing in 2024) US2.75,2024. Other ways of identifying bonds will be explained as they become necessary.

Now, put your cursor in cell A4 and in the Data area choose ‘Indicative Data’/’Indicative Data Function’ from the drop down menu. Following the steps that you saw in the Introduction to the Yield Book Add-in, load in the 10-year's ticker, coupon (called CurrentCoupon), maturity date, dated date and first coupon date. The last entry should be in cell E4. Then, highlight all of the E’s (meaning empty) and in the Calculate area,
click ‘Selected Area’. Of course ‘Calculate/Workbook’ or ‘Calculate/Simple’ would also work. The indicative data fields that you have chosen will populate. To see how many other fields you could have chosen, highlight the coupon value and click control-shift-C. A box with all of the indicative data will pop open and you can peruse it.

Let’s check some analytics. Type Settlement Date into cell A6, Price into cell B6, Accrued Interest into cell C6 and Yield into cell D6. Choose three settlement dates between 2/15/2015 and 2/15/2023. Make sure that one of them is a coupon date. Then put prices between 98 and 102 in the price column, with 100 as the price for the settlement date that is also a coupon date.

Using the Price/Yield function, have Yield Book Add-in calculate yield to maturity for each of your price and settlement date pairs. Also calculate accrued interest for each settlement date. Finally, use Excel’s yield function to make sure that Yield Book Add-in gets the yield right.

**Oh, and Sparky . . .** I want you to remember that investors are **ALWAYS** in this for the money, so calculate the total invoice for $1,000,000 par of the 10-year.”