Caselet #68 Sparky Compares a Treasury Portfolio to the Treasury Index

**Learning Outcome Statement**

After completing this caselet, students and trainees should be able to build a bond portfolio and compare its characteristics to an index.

Caselet #68

Sparky, the reason the Yield Book is such a popular fixed income tool comes from its power, especially its power when dealing with portfolios. For you to be a Yield Book expert, you need to master the portfolio analytics available in the software. So, today, I will give you an opportunity to begin mastering those skills with an abbreviated task.

Sparky, the first step in your task is to watch the Yield Book Add-in webinar titled “Analyzing Portfolios in The Yield Book Add-In” under the training tab on the Yield Book website. It does a terrific job of showing you what to do.

After you have watched the video, I want you to compare a simple Treasury portfolio to the Treasury index. First, put 5yr, 10yr and 30y in cells A1:A3, with 400, 200 and 100 in cells B1:B3. Next, load the price for each bond using the Historical data function and last month’s month end in cells C1:C3. Then, define your Treasury portfolio with Portfolio Analysis/Define Portfolio as SparkyTsy in cell A5. Remember, identifier and par amount are included automatically; you only need to specify the price column to have it picked up. Finish your setup by running P/Y on your portfolio, using u.Price for level, just like you saw in the video. Put those results in cell A7.

Now you are ready to display the number of bonds in your portfolio, their average yield and average duration. Put “Number of Issues”, “Yield” and “Duration” in cells E5:E7. With Portfolio Analysis/Portfolio Summary, put the results in cells F5:F7.

After you have calculated your portfolio statistics, it is time to compare them to the Treasury Index. Use Portfolio Analysis/Define Index as Portfolio to find the Treasury Index (TSYINDEX). Put the index portfolio in cell A10. Then, get its P/Y data from Historical Data/Price File Data and put it in A13. Now, you are ready to display the index values next to your portfolio’s values. Use cells G5:G7.

Finally, use the Treasury 10 years and longer index (TSY10PLU), with the portfolio in A16 and its DataID in A19. Then display that portfolio’s characteristics in H5:H7.

It might be a simple task, Sparky, but it is getting you ready for analyzing bigger and more complex portfolios, which leads to jobs, eh?