411 GAME DIRECTIONS FOR CALCULATING RETURNS

The general form of the calculation for C$ returns for a foreign bond:

$$1 + R_{C\$} = 1 + \frac{[P^*(1) + COUP^*]\ S(1) - [P(0)\ S(0)]}{P^*(0)\ S(0)} = \frac{[P^*(1) + COUP^*]}{P^*(0)}\ \frac{S(1)}{S(0)}$$

$$= (1 + R_{£})(1 + e)$$

In the class game, set *COUP** = (stated annual coupon * fraction of year for game) for a bond or use the most recent quarterly distribution for funds and use the FX rates ($S(0)$ and $S(1)$) provided.

For domestic bonds and bond funds, the calculation is simpler:

$$1 + R_{C\$} = \frac{P(1) + COUP}{P(0)} \quad \rightarrow \quad R_{C\$} = \frac{[P(1) + COUP] - P(0)}{P(0)}$$

INSTRUCTIONS for submission:

1) Return the initial trade submission plus a separate sheet with the following:

Name of game submitter:
Screen shots of information used to calculate the returns

2) The results for the individual returns and for the portfolio return which is calculated as:

$$R_{port} = \frac{R_1 + R_2 + R_3}{3}$$

3) Email the completed assignment to poitras9@sfu.ca NO LATER THAN THE DAY BEFORE THE LAST CLASS