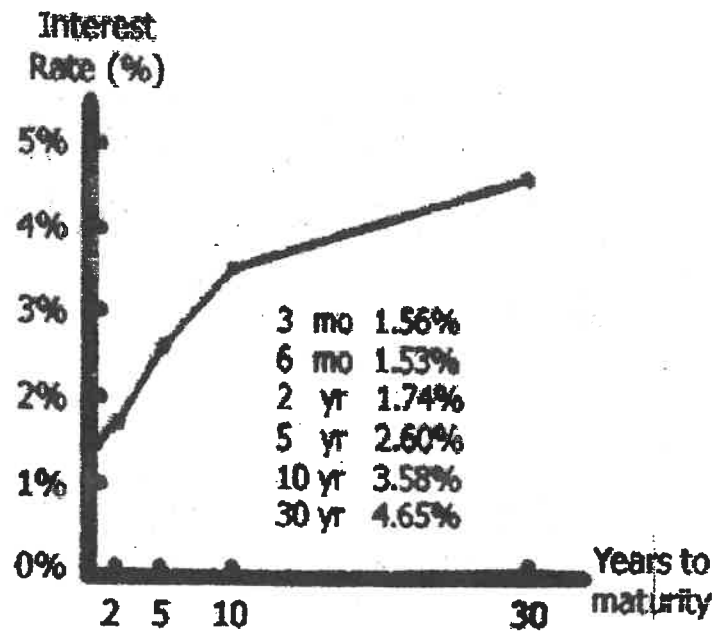


# Yield curve and the term structure of interest rates

- Term structure – relationship between interest rates (or yields) and maturities.
- The yield curve is a graph of the term structure.
- A Treasury yield curve from October 2002 can be viewed at the right.



# Premiums added to $k^*$ for different types of debt

$r^*$  real rate  
for of  
Interest

	IP	MRP	DRP	LP
S-T Treasury	✓			
L-T Treasury	✓	✓		
S-T Corporate	✓		✓	✓
L-T Corporate	✓	✓	✓	✓

# Illustrating the relationship between corporate and Treasury yield curves

