

The following information applies to questions 51 thru 53.

Joe must pay liabilities of 1,000 due 6 months from now and another 1,000 due one year from now. There are two available investments:

a 6-month bond with face amount of 1,000, a 8% nominal annual coupon rate convertible semiannually, and a 6% nominal annual yield rate convertible semiannually;
and

a one-year bond with face amount of 1,000, a 5% nominal annual coupon rate convertible semiannually, and a 7% nominal annual yield rate convertible semiannually

53.

What is the annual effective yield rate for investment in the bonds required to exactly (absolutely) match the liabilities?

- (A) 6.5%
- (B) 6.6%
- (C) 6.7%
- (D) 6.8%
- (E) 6.9%