

**Economics 304**  
**Daily Problem #22**

**Fall 2013**  
**November 18**

On November 8, the interest rate on a 5-year U.S. Treasury note was 1.42% and the rate on a 10-year note was 2.77%. If the pure expectations theory of the term structure of interest rates (with no risk premium) is true, what does the market expect the interest rate to be on a 5-year Treasury note sold in 2018 (and maturing in 2023)? How do you know?