# Prix, Detroit both hurt by move to Belle Isle

For a couple of years now, Detroit's Grand Prix has been a kind of punk rock version of Formula One racing. To the drivers, racing the delicate, open-wheeled cars over manholes patched by the sort of street repairmen who bring you the John Lodge was something like doing dirty danning in a tutu. The Grand Prix promoters, accustomed to total control over advance money and gate receipts, wrung their hands in Detroit, as unold millions worth of spectator sultes were handed out free by corporations, who rented every available hotel room, roottop and yach that had a clear view of the track and invited their friends and customers. delicate, open-wheeled carrs over mansholes patched by the sort of street repairmen who bring you the John Lodge was something like doing dirty daneling in a telu. The Grand Prix promoters, accustomed to total control over advance money and gate receipts, wrung their hands in Detrolt, as untold millions worth of spectator suites were handed out free by corporations, who rended every available hotel room, recottop and yacht that had a clear view of the track and invited their friends and customers.

THE INSPIRATION of bringing international Formula One racing to



Detrolters know the makings of a good party when they see it.

"It's like Detrolt's Mardi Gras," a guy told me in a Birmingham coffee shop after he experienced the race downtown for the first time.

MORE LIKE SOME fantasia is sound and tall buildings, with the echo of race engines in full song believing out of underpasses, off the highest sand reflecting in the glass

IT WAS ONE of the few things done right in years to enhance the city's battered image. Of course, it was too good to last. prevailed and the course of the c

The business, excitement and spectacle will be sacrificed appearently to stuff a few more bucks in the pockets of the promoters. Only, the mayor of Detroit seems happy, and he's been trying to get rad of all those longers and kite-flyers for years and replace them with a lattic of Las Vegas.

Unfortunately, I predict the anderence for a Grand Prix held on Belle liste in the shadow of Coleman Young's super stide will quickly devinde to a herd of terrified deer and an equally small group of spectators, some remembering the grand days when the cars ran on the down town streets.

Dan McCosh is the automotive editor of Popular Science

# Calculating the interest rates for T bills is difficult

finances and you

Many of our clients routinely buy
T bills for safety and high yield, but
T requently they have difficulty figuring out what they are really getting,
this article explains how the "true"
yell dis calculated on T bills.

"true yield" you receive on a T bill.

True yield on 3 - or 6-month maturity
frequently they have five your stated on a so of 6-month maturity
Bills are sold at a discount. Prices
they are stated on the basis of 100.

For example, a 2.76-percent dis-

#### Confusion with discount issues

Last week we mentioned that T bills are discount issues. However, a T bill discount does not operate like a retail discount. Forthermore, the discount, or refund, you recieve at the time of purchase is merely a refund of the excess price you paid initially, and not a return on your in.

True yield on 3- or 4-month maturity

Bills are sold at a discount. Prices
are stated on the basis of 100.
For example, a 9.76-percent
count, 91-day, \$10,000 bill that is
priced at \$97.533 would cost
\$97.53.0. However, since you do not
know of this price when you lists decide to buy the bill, you send a check
for \$10,000 to the Federal Reserve
Bank.

After the auction, the bank sends
you a check for \$24.6.70 (\$10,000
minus \$97.53.30) representing the
price refund. Upon maturity, you
will receive a check for \$10,000 in-

Mittra

vestment over 91 days. What, then, is your annualized yield? In order to calculate your true an-nualized yield, you must use the fol-lowing simple equation:

Sid

annualized yield - (DxY) (PxM) x 100

P = the price per \$100 D = \$100 - P

M = days to maturity; Y = 365 days

For the T bill offering a 9.76-per-cent discount, the annualized yield is 10.15 percent:

annualized yield = [(100 97.533) x 365] ÷ 97.533 x 91 = 10.15%

However, if the 9.76-percent dis-

count was on a 180-day bill, the yield would be just 5.13 percent: 1988, the following quotation appeared in the Wall Street Journal.

annualized yield = [(100 - Mat.date bid asked yield 97.533) x 365] ÷ 97.533 x 180 diacount = 5.13%

Twelve-month bills

The above formula can't be used for T bills maturing in more than six months. The reason is that T bills pay simple interest, and there is no compounding.

compounding.

In contrast, government and compounding, and the coupon payments are compounded.

You can lose on a T bill Yes, you can. If intercompounded.

compounded.
Fortunately, the Treasury reports the annualized yields with the auction of results, so you don't have to do the compounding yourself.

The Wall Street Journal and the business section of local newspapers routinely publish annualized yields on T bills, For Instance, on May 16,

6.32 6.25 6.47

Thus, if you had received a discount rate of 6.25 percent for the Sept. 8 bills, the annualized year from this investment would have been 6.47 percent.

Yes, you can. If interest rates re-prior to the issues maturity, the market price of the T bill will de-cline. So, if you sell before maturity you will have to sell at a discount. This interest-rate risk must al-ways be born in mind when investing in seemingly risk-free T bills.

Sid Mittra is a professor of management at Oakland Univer-sity and proprietor of Coordinat-ed Financial Planning.



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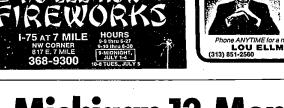
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daily and must remain on deposit a full year at the stated rate to earn the annual yield shown Substantial penalty for early withdrawal. Minimum deposit \$500.

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