

**"INTEREST RATES AS A MEASURE OF  
FINANCIAL RISK"**

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in actuarial science

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## DECLARATION

This research project is my original work and has not been presented for any Degree in any University to the best of my knowledge.

Signature-----

Date-----02/10/03-----

*Aduda Jane Akinyi*

This research project has been submitted for examination with my approval as University supervisor.

Signature-----

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## **ABSTRACT**

This paper argues that in the fundamental subject of financial risk analysis, a lot of valuable lessons can be drawn from interest rates as a measure of risk. It explores interest rates and why they exist. It's about their changing behavior, the relationship between rates for different market instruments, and also about fixed income investment management in a changing risk setting. Its purpose is to measure the impact of interest rates on financial investments and thus the impact of rates on credit and investment risk management. It also looks at the measures that can be taken to reduce or minimize the fluctuation on interest rate levels. It also looks at how seasonality trends and cycles affect interest rates.