

What is Bond Yield?

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Coupon	Duration	Yield
0.50%	3 Month	0.50%
0.75%	6 Month	0.85%
1.25%	1 Year	1.50%
	2 Year	1.85%

What is a Bond?

- A bond is a fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental) for a set period of time in return for regular interest payments.
- The time from when the bond is issued to when the borrower has agreed to pay the loan back is called its 'term to maturity'.
- The bond issuer uses the money raised from bonds to undertake various activities, such as funding expansion projects, refinancing existing debt, undertaking welfare activities, etc.

What is Bond Yield?

- It is the return an investor expects to receive each year over its term to maturity.
- It partially depends on coupon payments, which refer to the periodic interest income obtained as a reward for holding bonds.

- The bondholders receive the bond's face value at the end of the bond's life. However, one may buy bonds at par value, discount (at a price lower than par value), or premium (at a price higher than par value) as they trade in the secondary market.
 - Therefore, the prevailing market price of bonds also affects the bond yield.
 - It is calculated by using the following formula:
 - $\text{Bond Yield} = \text{Coupon Amount} / \text{Price}$
 - Bond Yield vs. Price:
 - Price and yield are inversely related.
 - As the price of a bond goes up, its yield goes down, and as yield goes up, the price of the bond goes down.
 - Example: Suppose interest rates fall. New bonds that are issued will now offer lower interest payments. This makes existing bonds that were issued before the fall in interest rates more valuable to investors, because they offer higher interest payments compared to new bonds. As a result, the price of existing bonds will increase.
 - However, if a bond's price increases, it is now more expensive for a potential new investor to buy. The bond's yield will then fall because the return an investor expects from purchasing this bond is now lower.
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Q1) What are Debt Securities?

A debt security is any debt that can be bought or sold between parties in the market prior to maturity. Its structure represents a debt owed by an issuer (the government, an organization, or a company) to an investor who acts as a lender. Examples of debt securities include a government bond, corporate bond, certificate of deposit (CD), municipal bond, etc.

Source: [Bond Yields To Soften With Moderating Inflation, Says RBI Governor](#)

Source: <https://vajiramandravi.com/current-affairs/bond-yield/>

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