Learning Module 1: Fixed-Income Instrument Features

Fixed Income

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Current Yield

Current yield $= \frac{\text{Annual coupon}}{\text{Bond price}}$

Bond price $= \frac{\text{Coupon}}{(1+r)^1} + \frac{\text{Coupon}}{(1+r)^2} + \cdots + \frac{\text{Coupon + Face value}}{(1+r)^n}$

where:

- r = Yield to maturity per period
- n = Number of payments

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### Current Yield

Current yield $=\frac{\text { Annual coupon }}{\text { Bond price }}$

Bond price $=\frac{\text { Coupon }}{(1+r)^{1}}+$
$\frac{\text { Coupon }}{(1+r)^{2}}+\cdots+$
$\frac{\text { Coupon }+ \text { Face value }}{(1+r)^{n}}$

where:

- $r=$ Yield to maturity per period
- $n=$ Number of payments
```
