Bond Duration Formula:

$$Duration = \frac{1}{P} \times \sum_{t=1}^{n} PV_t \times t$$

Inputs:

❖ P = The price at which investors "purchase" the bond. (See the *Bond Price Calculation* pdf for details on how this is computed.)

❖ PV = The present value of the cash flows received by the investor—monthly, quarterly, semiannually, or annually.

❖ t = The time period (month, quarter, semiannual, or year) in which the investor receives a payment.