



BOND VALUATION AND ANALYSIS

# **Summarizing the Main Lessons: Bond Valuation and Yield to Maturity**

# Bond Valuation

- You learned to value a bond
  - You learned how to create a bond valuation function
- Bonds are heterogeneous
  - Going forward, learn how different bond features affect value

# Yield to Maturity

- You learned about yields
  - Compensation for bearing risk
  - Use yield of comparable bond in valuation
  - Calculating the yield of the bond
  - Components of yield
    - Risk-free rate
    - Spread



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**Let's practice!**



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# **Summarizing the Main Lessons: Duration and Convexity**

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# Duration and Convexity

- You learned about duration and convexity
  - Bond price volatility as a result of:
    - Yield
    - Coupon rate
    - Time to maturity
  - Calculating **duration's** effect on bond price
  - Calculating **convexity's** effect on bond price



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# Let's practice!



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**Congratulations!**