Preface
Acknowledgments
The Fundamentals of Bond Mathematics
The Time Value of Money
The basic features of a bond
Future values and the compounding process
The power of compound interest
Intrayear compounding
Present values and the discounting process
Implications of the discounting process
The relationship of compounding factors and discounting factors
Summary
Simple Interest and Compound Interest
The Relationship between Bond Prices and Bond Yields
The formula for calculating a bond price
Calculating a bond price: Applications
Influences on a bond price
The nomenclature of bond prices and the consideration of accrued interest
The concept of yield to maturity
The curvilinear relationship between bond prices and bond yields
Summary
The Calculation of Accrued Interest
Bond Yield Measures
Current yield
Internal rate of return measures
Modified versions of the yield to maturity
Summary
The Fundamentals of Bond Risk
The Volatility of Bond Prices
The impact of the term to maturity
The impact of the coupon rate
The impact of the yield level
The price volatility of zero-coupon bonds
Bond price volatility: A recap
Special applications of bond price volatility
Summary
Bond Risk Measures: The Past
Term to maturity
Weighted average maturity
Weighted average cash flow
Comparing the traditional risk measures