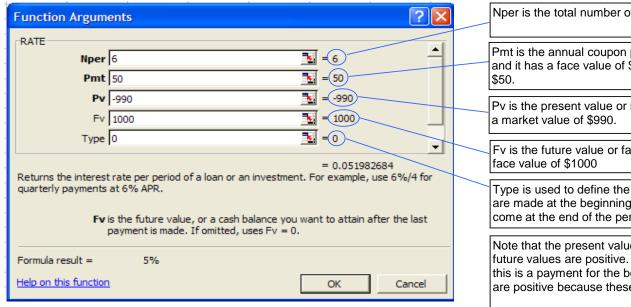# Bond Yield Using Excel

Bond yields can be easily calculated using the rate function in Excel. The Rate function can be found under the financial category. The inputs are similar to a financial calculator.

Bond Yield Example:

Calculate the yield to maturity on a 6 year bond with a 5% coupon, a market value of $990, and a face value of $1000.

Function Arguments

RATE

Nper	6	= 6
Pmt	50	= 50
Pv	-990	= -990
Fv	1000	= 1000
Type	0	= 0

= 0.051982684

Returns the interest rate per period of a loan or an investment. For example, use 6%/4 for quarterly payments at 6% APR.

Fv is the future value, or a cash balance you want to attain after the last payment is made. If omitted, uses Fv = 0.

Formula result =   5%

Help on this function   OK   Cancel

Nper is the total number of periods. This bond matures in 6 years.

Pmt is the annual coupon payment. This bond pays 5% annually and it has a face value of $1000. The annual coupon payment is $50.

Pv is the present value or market value of the bond. This bond has a market value of $990.

Fv is the future value or face value of the bond. This bond has a face value of $1000

Type is used to define the timing of the payments. If the payments are made at the beginning of the period enter 1. If the payments come at the end of the period leave blank or enter 0. Coupon

Note that the present value is negative while the payment and future values are positive. The present value is negative because this is a payment for the bond, and the future value and payments are positive because these are payments you receive.