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Yield to maturity

From Wikipedia, the free encyclopedia

The **Yield to maturity** (**YTM**), **book yield** or **redemption yield** of a bond or other fixed-interest security, such as gilts, is the internal rate of return (IRR, overall interest rate) earned by an investor who buys the bond today at the market price, assuming that the bond will be held until maturity, and that all coupon and principal payments will be made on schedule.[1] Yield to maturity is simply the discount rate at which the sum of all future cash flows from the bond (coupons and principal) is equal to the price of the bond. The YTM is often given in terms of Annual Percentage Rate (A.P.R.), but more usually market convention is followed. In a number of major markets (such as gilts) the convention is to quote annualised yields with semi-annual compounding