Yield for Money Market Instruments	Yield may be quoted on a discount basis or add-on basis $PV = FV \times \left(1 - \frac{Days}{Year} \times Discount\ rate\right)$ Yield may be calculated using 360-day year or 365-day year $PV = \frac{FV}{\left(1 + \frac{Days}{Year} \times Add - on\ rate\right)}$ Bond-equivalent yield : add-on yield based on a 365-day year
Yield curve	Yield curve : show relationship between yield and time to maturity of bond for a given issuer, @ a given currency Spot rate yield curve (zero curve, strip curve) : yield curve for given zero coupon bonds Yield curve for coupon bonds : yield curve for a given coupon bonds (yields are expressed on a semi annual basis) Par bond yield curve (par curve) : reflect the coupon rate that bond at each maturity would need to have to be price at par (YTM of a par bond at each maturity) Forward rates : yields for future periods Forwards yield curve : show the future rates for bonds for the same maturities (typically 1 year) for annual periods in the future (quoted on a semi annual bond basis)
Relationship between ST forward rates spot rates	Borrowing costs @ X-year spot rate = Borrowing costs for one-year periods in X successive years $(1 + S_X)^X = (1 + S_1) \times (1 + 1y1y) \times (1 + 2y1y) \times \ \ldots \times [1 + (X-1)y1y]$
Yield spread	Yield spread : difference between yields of 2 different bonds Benchmark spread : yield spread relative to a benchmark bond G-spread : yield spread over a government bond I-spread (Interpolated spread) : yield spread related to swap rate in the same currency , with the same tenor as a bond Z-spread : yield spread over the spot curve Option-adjusted spread : remove the effect of option out of Z-spread measure Option-adjusted spread = Z-spread - option value Advantage : to analyse the factors that affect bond's yield - Bond's yield ↑ ; Yield spread remains the same → ↑ benchmark yield → macroeconomic factors caused bond yield to increase - Bond's yield ↑ ; Yield spread ↑ → Microeconomic factors (credit risk, issuer's liquidity) caused bond yield to increase