Realising that $P_0 = 1$ and integrating $P_t = e^{-\int_0^t F_s \, ds}$

Redemption yield

This is also known as the "Yield to Maturity" is the effective rate at which the discounted value of future payments (coupon and redemption amount) equals the market price. It clearly depends on the coupon and so does not give a simple model of the relationship between term and yield.

For instance, again looking at the February 7 2006 yields:

Stock	*Redemption Date*	*Redemption yield %*
Treasury 8%	2015	4.2
Exchequer 12%	2013-17	4.26
Treasury 4.75%	2020	4.17

Par Yield

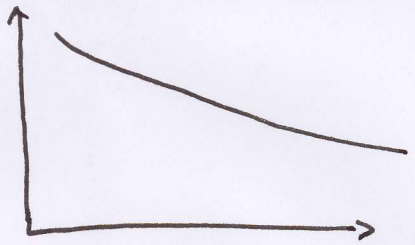
The *"Term t par yield"* is that coupon per 1 nominal on an n year bond redeemable at par which would give a current price of 1. In other words, if the term t par yield is yc_t:

$$1 = yc_t \left(v_{y_1} + v^2_{y_2} + v^3_{y_3} + \ldots\ldots + v^n_{y_n}\right) + v^n_{y_n}$$

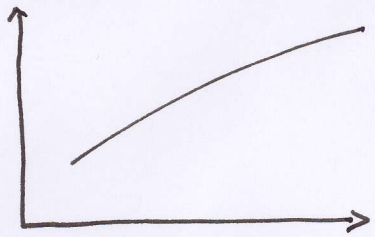
Yield Curves

Some examples of typical (spot rate) yield curves are as follows:

Decreasing yield curve



Increasing yield curve



Humped yield curve