

Determining Bond Price Volatility



The stock market volatility of the last few years has driven many to seek a safe haven in fixed-income investments in the hopes of lowering the risk of their portfolios. However, historically low interest rates have also accompanied this market volatility. Eventually, rates will begin to rise, which will lead to an erosion of bond portfolio values.

To help evaluate the volatility inherent in fixed-income investments, this installment of Spreadsheet Corner presents a **template** that allows you to calculate bond values based on knowledge of the coupon rate, the length of time to maturity and the current market interest rate. In addition, you will be able to see how bond prices can change with changes in market interest rates. In particular, you can examine the effects of changing interest rates on the total value of a bond portfolio, such as a bond mutual fund.

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