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Yield to Maturity Is Always Received as Promised

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Abstract

This note comments on a misconception that yield to maturity from holding a coupon bond until maturity is only promised, but not really received, unless coupon payments are reinvested at the same rate as the (original) yield to maturity. It shows that yield to maturity is always earned no matter how coupon payments are allocated, i.e., whether spent or reinvested at any rate. It illuminates that the realized compounding yield in fact measures the yield to maturity from a combination of two investments rather from simply holding the bond itself until maturity.

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