**Chapter 7 Study Guide**

1. Go to <http://cxa.gtm.idmanagedsolutions.com/finra/BondCenter/Default.aspx> , the bond market data website of FINRA to find bond information. For example, find bond sponsored by IBM

Or, just go to [www.findra.org](http://www.findra.org), 🡺 Investor center 🡺 market data 🡺 bond 🡺 corporate bond

***Treasury Bond***

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Issuer Name | Coupon | Maturity | Callable | Moody's | S&P | Fitch | Price | Yield |
| [UNITED STATES TREAS BDS](http://cxa.gtm.idmanagedsolutions.com/finra/BondCenter/BondDetail.aspx?ID=OTEyODEwREw5)  | 12.5 | 8/15/2014 | No | Aaa | AAA | AAA | 100 | 12.496 |

***Corporate Bond***

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bond Symbol | Issuer Name | Coupon | Maturity | Callable | Moody's | S&P | Fitch | Price | Yield |
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 | [INTERNATIONAL BUSINESS MACHS CORP](http://cxa.gtm.idmanagedsolutions.com/finra/BondCenter/BondDetail.aspx?ID=NDU5MjAwR003) | 7.63 | 10/15/2018 | Yes | Aa3 | AA- | A+ | 132.547 | 1.479 |

1. Understand what is coupon, coupon rate, yield, yield to maturity, market price, par value, maturity.

Coupon \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Coupon rate \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Yield \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Maturity \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Bond market price \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Par value \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Understand how to price bond

Bond price = abs(pv(yield, maturity, coupon, 1000)

For example, when yield is 3%, how should this IBM bond sell for?

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Bond Symbol | Issuer Name | Coupon | Maturity | Callable | Moody's | S&P | Fitch | Price | Yield |
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| IBM.LA |

 | [INTERNATIONAL BUSINESS MACHS CORP](http://cxa.gtm.idmanagedsolutions.com/finra/BondCenter/BondDetail.aspx?ID=NDU5MjAwR003) | 7.63 | 10/15/2018 | Yes | Aa3 | AA- | A+ | 132.547 | 1.479 |

Also change the yield and observe the price changes. Summarize the price change pattern and draw a graph to demonstrate your findings.

1. Understand how to calculate bond returns

Yield to maturity = rate(maturity, coupon, -market price, 1000)

For example, when the bond is selling for $1,200, what is its return to investors?

1. Add semiannual coupon bond
2. Add current yield
3. Add zero coupon bond
4. Understand what is bond rating and how to read those ratings.
	1. Who are Moody, S&P and Fitch?
	2. How is IBM’s rating?
	3. Is the rating for IBM the highest?
	4. Who earned the highest rating?