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https://www.100test.com/kao_ti2020/220/2021_2022__E9_87_91_E8_9E_8D_E8_8B_B1_E8_c67_220459.htm Governments and big companies often need to borrow more money than a single bank can offer. So they depend, instead, on credit markets. Sales of bonds or similar securities help finance governments and businesses, while investors earn interest. Bonds are loans. They must be repaid at the end of an established period, when the bond reaches maturity. During that period, the bond seller, called the issuer, must make interest payments to the bondholders. The return on investment is called the yield. A one thousand dollar bond with a yield of five percent would pay interest of fifty dollars per year.Some bonds are considered free of most worry for investors. United States Treasury bonds, for example, are supported by "the full faith and credit" of the government. But, in credit markets, how does an investor know if a company can pay its debts? Credit rating agencies help. These companies advise investors how likely they are to receive the principal with interest. The principal is the amount of the bond at maturity. Such advice helps markets to set the price of credit. We talked last week about credit rating agencies. The two biggest in America are Standard and Poor ’ s and Moody ’ s Investors Service. We described how they recently lowered the credit rating of General Motors and Ford Motor Company. A change in the credit rating of a bond issuer can affect the price of its bonds. Standard and Poor ’ s gave G.M. a rating of double-B and Ford a rating of double-B-plus.

Those ratings are known as junk status, or below investment grade. The lower the rating for a company, the less secure its debt is considered for investors.Credit markets reacted. the price of G.M. and Ford bonds fell. This week, the price for a G.M. bond maturing in two thousand thirty-three was a little over seven hundred ten dollars. Bonds are usually sold in the amount of one thousand dollars. So buyers who paid full price would get back only about three-fourths of the principal if they sold that bond now. But, as bond prices fall, the yield increases. This is because the interest stays the same -- so long as the bond issuer continues to pay. Risky bonds appeal to some investors because of the lower cost and higher yield. The risk, however, is that the investors could lose their money.
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