8.5 CHOOSE THE RIGHT VARIANT TO SUBSTITUTE THE UNDERLINED WORDS AND WORD COMBINATIONS

1. Other government agencies and organizations issue securities **to fund** their own projects.

to invest in

to store in

to consolidate in

to accumulate in

2. **Generally**, people are interested in corporate bonds if they are investing for a tax-deferred account.

usually

widely

largely

extensively

3. However, because they offer a higher yield, corporate bonds can **sometimes** have a higher after-tax yield.

at times

on times

in times

some time

4. Braver souls with a tolerance for risk might **be attracted** to the lower-grade junk bonds for their high yields.

be drawn

be interested

find interest

draw

5. It is rare that a municipal bond sinks to the junk bond status, so corporate bonds are **the only place** to go for these higher yields.

the place

the one place

one place

a different place

6. **Because** it is considered less exciting, the bond market doesn't get a lot of coverage.

as

therefore

eventually

hence

7. Par value will vary **depending on** the type of bond.

subject to

subjected to

subjecting to

subjecting

8. Maturities **range** significantly, from 1 month for some municipal notes to 40+ years for some corporate bonds.

vary

diversify

differ

very

9. One **more** important concept related to yields is the yield curve.

other

different

another

various

10. **Unlike** maturity, duration takes into account interest payments that occur throughout the course of holding the bond.

different from

not likely

in addition to

not so

11. Ratings can change over time, which will impact the price of the **<u>corresponding</u>** bonds.

conformable

correspondent

relative

same

☝ 8.6 FIND AND CORRECT MISTAKES IN THE FOLLOWING SENTENCES

Most corporate bonds have a $1000 face value, while some government bonds will carry a more higher par value. Savings bonds can be purchasing for sums under $100, so there is a large variety of options. When the bond matures and the lump sum is returned, the debt obligation is complete. It is important to remember that the bonds are not always selling at par value. In the secondary market, a bonds' price fluctuates with an interest rates. If interest rates will be higher than the coupon rate on a bond, the bond will have to sell below par value (at a "discount"). If interest rates have fallen, the price will be higher.

On the time of maturity, the issuer is no longer obligated to make interest payments. When evaluated your goals, keep in mind that bonds of different maturities will behave somewhat differently. For example, bonds with long-term maturities will be more sensitive to changes in interest rates. More shorter term bonds are stabler and, because you are more like to hold it to maturity, are more predictable.

The name "coupon" derives from the old system of payment, in which bond holders would need to send in coupons in order to recieve payment. The coupon sets when the bond is issued and is usually expressed as an annual percentage of the par value of the bond. Payments usually are occurred every six months, but this can very.