

Additional Information on Bond Presentation

I. Yield Calculations

What if an investor bought the following bond?

Par = \$1,000

Interest rate = Coupon = 5% or \$50 per year

Maturity = 1 year from day purchased

<u>Purchase Price</u>	<u>Income per Year</u>	<u>Calculation</u>	<u>Current Yield</u>
100	\$50	50 / 1000	5.0%
108	\$50	50 / 1080	4.6%
92	\$50	50 / 920	5.4%

When an investor buys at a premium, the yield goes down. That is, the investor is accepting the same dollar income, but it will earn a lower interest rate. And conversely, when the investor buys at a discount, he is earning a higher interest rate (yield goes up), even though the dollar income is the same.

If the maturity is longer than 1 year, then the yield will be calculated for the balance of the length of time to the date the bond matures.

II. Bond Rating Matrix

The following are the bond ratings used by the agencies:

Moody's		S&P		Fitch		
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime
Aa1		AA+		AA+		High grade
Aa2		AA		AA		
Aa3	P-2	AA-	A-1	AA-	F1	Upper medium grade
A1		A+		A+		
A2		A		A		
A3	P-3	A-	A-2	A-	F2	Lower medium grade
Baa1		BBB+		BBB+		
Baa2		BBB		BBB		
Baa3	Not prime	BBB-	A-3	BBB-	F3	Non-investment grade
Ba1		BB+		BB+		speculative
Ba2		BB		BB		
Ba3	B	BB-	B	BB-	B	Highly speculative
B1		B+		B+		
B2		B		B		
B3	C	B-	C	B-	C	Substantial risks
Caa1		CCC+		CCC		Extremely speculative
Caa2		CCC		CCC		In default with little prospect for recovery
Caa3	D	CCC-	/	CCC	/	
Ca		CC		DD		
C		C		D		
/		D	/	DD	/	In default
/				D		