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For more than four decades, time and again, the thing that has consistently disturbed common people is the various nuances of bonds. The bond market forms a large part in the global market and millions of bonds are issued each year. The bonds are first sold in the primary market and they are traded in the secondary market. They owe a face value after creation. Bonds are also known as fixed-income securities, debt instruments, credit securities, etc. bonds are sold by government, government- sponsored agencies, cities, states and public authorities.

The bonds allow investors to gain more in two ways. Money can be stored in a different way than what normally happens and the risks are nullified to a great extent in saving money through bonds. Experienced investors know that with a long span of time, his stock holdings will put his bonds in the backseat. The most recent thoughts about investment are that bonds are considered as the best way to obtain in high-returns and help a lot to reduce risks while saving of money is done. Bonds act as a promise for the government and corporations. Bonds issued by cities and states named as municipal bonds are aimed to raise revenue in order to spend in institutions, roads, and other public amenities. These bonds offer tax-free returns as interest is free of taxes.

As bonds are negatively related to interest rates, it may affect you if you sell bonds before maturity period. Though bonds are said to be safe investment, but there are few risks associated with it like liquidity risk and inflation. The bonds issued by the government and its agencies are safe, but those issued by corporations may involve some risk. The bonds are ranked accordingly by the credit rating agency. The bond market is understood through the yield curve which shows the relationship between the interest rate payable on a bond and its maturity period.

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