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Factors Affecting Corporate Bond Rates by James Blee

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It is an unspoken truth of the world that whenever there is a big possibility of gain there is also a big possibility of loss added to it. The same is applicable in high yield bonds which are those bonds which have grated rate of interest and greater possibility to earn in the market. But there are also possibilities that the bonds will fail heavily in the market and you will lose a lot of money due to it. The corporate bonds are generally of high yielding prospect and the corporate bond rates in the market vary a lot. The rates as a whole are dependent on a few things which are discussed below.

Market Condition: it is the major thing that affects the corporate bond rates and if the market is performing well then there is a high chance that the bonds will also perform well..

Sensitivity to the interest rate: there are some bonds which are sensitive to the rate of interest in the market more than other. These are generally high risk bonds. Whenever the general interest rates in the market increase, the demand shift from those bonds to deposits in bank.

The bond duration: The maturity time of each bond differ. The bonds for longer periods carry higher interest rate than the short tenure ones.

Inflation: Inflation always has an impact on the economy as a whole and on the bonds too. With the increase in the level of inflation the yield from the bonds look small and thus the demand decreases.

There are many other factors affecting the price of bonds such as duration, credit quality and flow of cash. You will have to judge everything if you have to invest in the bonds.

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