

# Eight types of bonds you should know

In the broad fixed income universe you will find bonds with different issuers, credit ratings, coupons, and other features. Each offers its own balance of risk and reward.

## Zero coupon bonds

Make no periodic interest payments, but instead are offered at a discount from face value, which can be redeemed in full at maturity.

## Convertible bonds

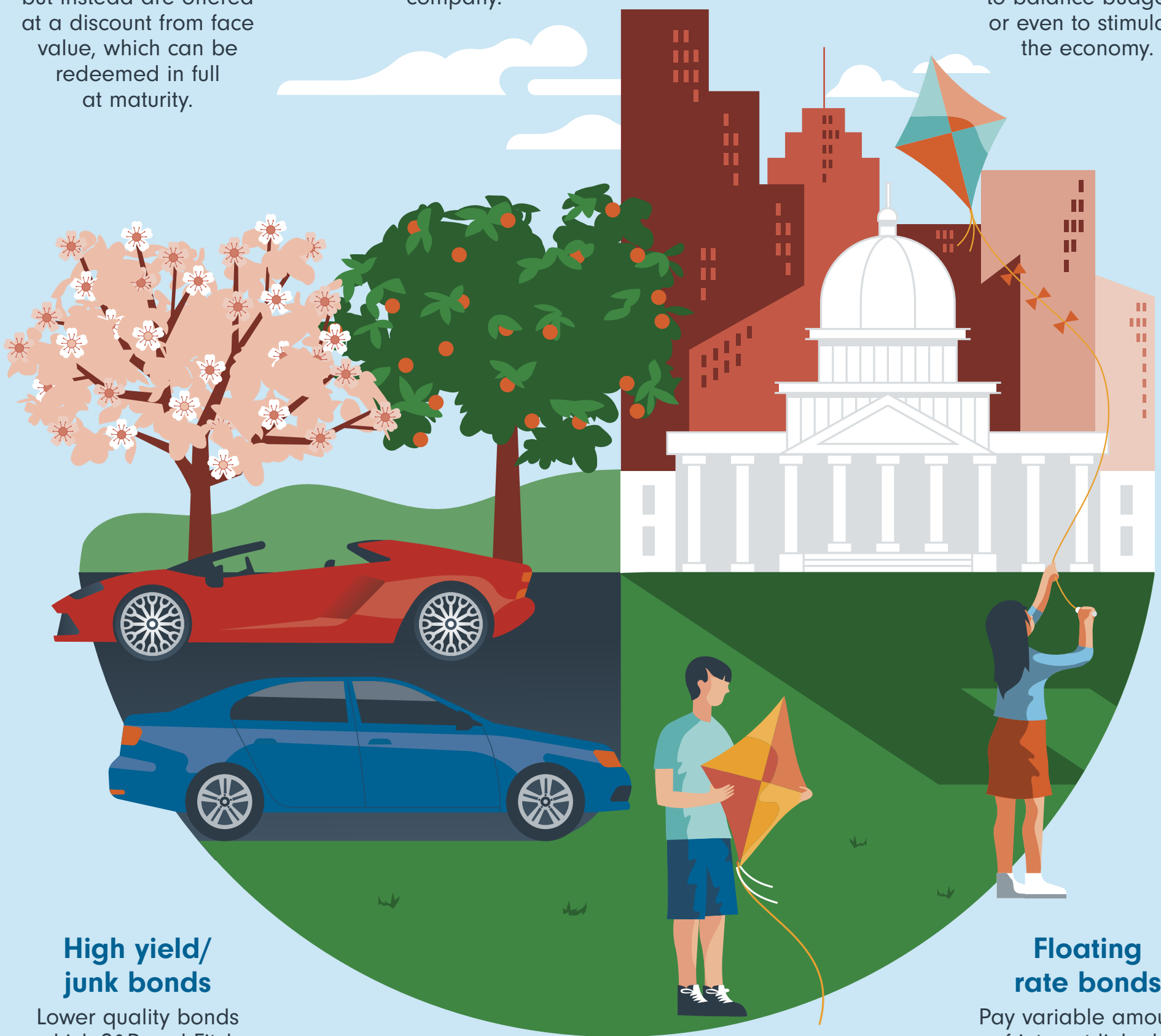
Have typical bond characteristics (maturity date, credit rating) but also include an option to be converted into equity of the underlying company.

## Corporate bonds

Issued by financial institutions or companies to fund their operations.

## Government bonds

Issued by a government to support spending, to balance budgets, or even to stimulate the economy.



## High yield/junk bonds

Lower quality bonds which S&P and Fitch rates BB+ and below and Moody's Ba1 and below, with a higher yield to compensate for the higher credit risk.

## Investment grade bonds

Relatively high quality bonds with a minimum S&P or Fitch rating of BBB-, or a minimum Moody's rating of Baa3.

## Fixed rate bonds

Pay a fixed amount of interest at regular intervals, hence offer stable return.

## Floating rate bonds

Pay variable amounts of interest linked to market interest rates, hence the potential for higher, or lower, return as rates rise or fall.

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