P-Glossary

Bond

A bond is a certificate of indebtedness that specifies the obligations of borrowers to the holders of the bond. It is a tradable loan security issued by governments and companies as a means of raising capital. The bond guarantees its holder the repayment of capital at a future specified date (i.e., maturity date) and a fixed rate of interest (i.e., coupon). When the bond is held until maturity, the bond is redeemed at face value. If the bond is sold on the market (i.e., secondary market) before maturity, the price of the bond is reasonably close to its actual market value.

For example, the buyer of a bond gives his/her money to a company in exchange for the promise of interest and eventual repayment of the amount borrowed (i.e., principal). The buyer can hold the bond until maturity or can sell the bond at an earlier date to someone else. A bond is a tradable certificate that identifies the time at which the loan will be repaid (i.e., maturity date) and the rate of interest (i.e., coupon) that will be paid periodically until the loan matures.