Bonds

Money

What a bond is, and why its price moves opposite to interest rates.

Bond prices move inversely to interest rates.

rates ↑ → existing bond prices ↓

You hold a bond paying 2% Yours is less attractive.	**New bonds pay 5%**
Its market price The coupon is fixed; only the price can adjust.	**Falls until its yield is competitive**
If you hold to maturity Price movement matters only if you sell.	**You get the face value back**

THE COMMON MISTAKE

× **Assuming bonds are risk-free**

✓ **They carry interest-rate risk and credit risk**

Long-dated bonds can fall sharply when rates rise, as 2022 demonstrated across every major bond market.

General education, not financial advice. Duration measures how sensitive a bond is to rate changes.