Why Buy Bonds If Interest Rates Will Rise?

This week's AAII **Weekly Digest** highlights these "must-read" AAII articles:`

- **Bond Pricing Made Simple**

Many investors know that a bondholder receives periodic interest payments from the bond issuer and that principal is usually not due until the bond matures. But when asked to explain the difference between coupon and yield, or what the risk of a bond is, confusion and misunderstanding can exist. This article provides an introduction to bonds and a simple formula for pricing bonds.

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Hildy Richelson

Why Buy Bonds If Interest Rates Will Rise?

Many individual investors wish to buy bonds to achieve a secure cash flow and to reduce their risks in the stock market. However, with interest rates at a low level, some investors are concerned that after they purchase bonds, interest rates will rise and their bonds will decline in value. This article examines the validity of this concern, certain alternatives to bonds and a proposed solution to low interest rates.

- **Interest Rate Sensitivity and Bond Pricing**

Even though the fixed-income market is supposed to be the “safe” asset class, even high-quality corporate bonds or U.S. Treasuries can exhibit levels of price volatility that might normally be associated with the stock market. How can that be? This article attempts to answer this and other questions regarding how bonds are affected by changes in interest rates.

- **Bond Market Liquidity and Its Impact on Your Portfolio**

There are many headlines warning investors about the next possible financial emergency—the lack of liquidity in the bond market. This post examines the general concept of liquidity, how it applies to the bond market, the factors that affect bond market liquidity and how the concept of liquidity applies to your investment in money market funds, mutual funds and exchange-traded funds (ETFs).

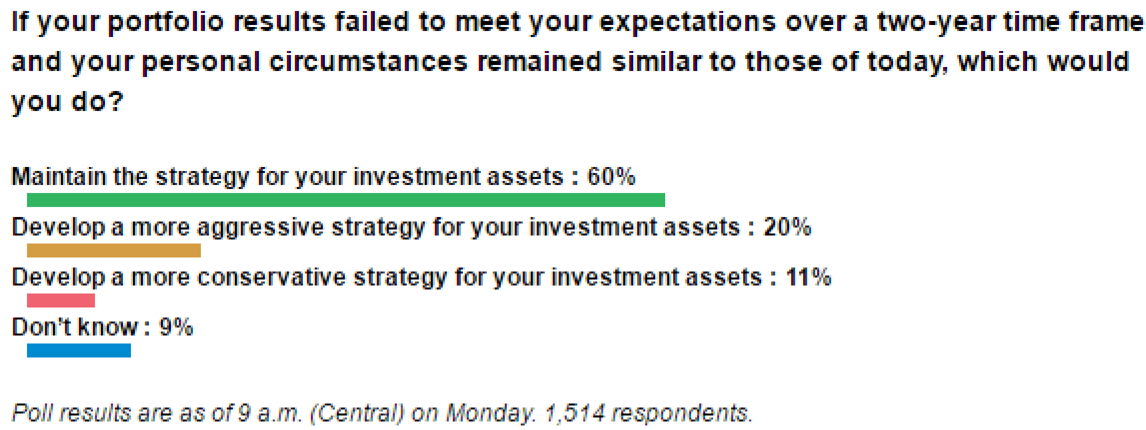
Our **Member Question** for this week is:

What is the biggest obstacle facing fixed-income investors right now?

Vote Now »

Vote to answer this week’s Special Question: *Do you invest in fixed income instruments (Treasuries, bond funds, individual bonds, etc.)? What is the primary reason why you either DO or DO NOT?*

Last Week's Results:



Last week we asked our readers if there was anything they wish they had done differently over the years when it came to investing. Visit the AAII Blog for a summary of the responses.

AAII Investor Classroom: Investing in Bonds

Think of the bond market as a mystery wrapped in an enigma? You are not alone. But this AAII classroom—a member exclusive—pulls back the curtain so that you can analyze individual bonds with confidence.