Bonds & Interests Rates

Bonds and interest rates are considered two substantial parts of the macro economics. They act as stepping stones for any possible profitable transaction a person can encounter. As of now, the concept of these two helps expand companies and furthermore, brings revenue to the economy. But what is the relationship between the two? Let's find out:

A bond is a debt security that involves a willing lender provides wherein a certain amount of money (par value) to a company, organization, etc is lended and to be paid within a period with added interests. This is presented in a coupon that indicates the par value, interest rates, time of maturity or period of the transaction and the time intervals (ex: annually, semi-annually) in which partial interests are given. Relating to business transaction, a bond usually happens when an organization is in need of financial support. It is one of the considered transactions in lending money.

On the other hand, interest rates are defined as " the proportion of a loan that is charged as interest to the borrower, typically expressed as an annual percentage of the loan outstanding". One can usually encounter this in any profitable deal between two bodies. This is frequent in bank loans, installments and any other forms of lending.

Now, the relationship between bonds and interest rates are somehow clear. Despite the literal involvement of an interest rate in a bond, the value of the bond is actually altered based on the increase or decrease of the interest rate. For example, Jerry, an investor, recieves a coupon with the par value of $1000 with 10% interest per year and is operational within 2 years/ semi-annually. Now, Jerry bought this kind of