

# INVESTING IN BONDS:

## HOW TO READ THE PRICE TABLES

By The Bond Market Association

With millions of bonds outstanding, newspaper listings don't cover every single issue. But only a small fraction of outstanding bonds trade on any day, so listings of representative prices provides investors with sufficient benchmark information.

If you're interested in buying or selling bonds, it's a good idea to start out by comparing the prices of similar securities. Just as you would with any important purchase, such as a home or a car, checking out the current prices of comparable bonds gives you a strong indicator of what your bond will cost to buy, or what you can expect to receive if you are selling a security.

An easy place to check bond prices is in your morning newspaper, or in the financial media, such as The Wall Street Journal, Investor's Business Daily, or Barron's. Those papers have extensive tables showing representative bond prices in recent trades. However, you should recognize that the prices listed in the papers are snapshots; bond prices do fluctuate during the day, so the price you're actually quoted may vary based on more current trading activity.

The Internet has also become a rich source of information, with many sites providing investor information about bonds, including The Bond Market Association's investor site, [www.investinginbonds.com](http://www.investinginbonds.com). In addition, with the growth of business news channels, such as CNBC and CNNfn, investors can check on benchmark Treasury bond prices during the day and stay apprised of the economic releases that tend to affect yields.

### READING BOND TABLES

If you're more accustomed to reading stock exchange listings, the bond price tables in the newspapers look somewhat different and initially may be hard to understand. But once you become familiar with a few terms, the tables are understandable and provide information you need to make informed investment decisions.

In the stock tables, you can look up a specific company and see its high and low prices for the day before. That's because there are far fewer stocks listed on the three major exchanges (roughly 9,000 stocks) than the number of bond issues outstanding at any given time. In addition, the stocks of most firms tend to trade frequently, making it relatively easy to determine the recent market price of a given stock.

But with more than 1.5 million individual bonds in the municipal market alone, 167 times the number of stocks listed on the major exchanges, it wouldn't be possible for newspapers to list every bond outstanding in the combined debt markets. Just the municipal market alone would take up close to 100 pages. And, despite the bond market's liquidity (the ability to buy or sell a security quickly), most retail bondholders purchase their securities with the intent to receive regular interest and hold them until they mature, reducing the potential amount of daily trading activity.

Fortunately, with so many bonds outstanding, listing daily prices for all of them is neither necessary nor useful. Since only a small fraction of the outstanding bonds trade in any given day, listing representative prices provides

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*The Association's Web site at [www.investinginbonds.com](http://www.investinginbonds.com) provides consumer information on fixed-income securities, including recent pricing information on municipal and corporate bonds, as well as Treasuries.*

investors with sufficient benchmark information to gauge what a fair price would be for the security they are considering. That's because similar bonds tend to move up or down in tandem with interest rates—a key factor affecting the multitude of fixed-income securities. The bond's credit quality, as reflected in its rating from one of the major rating agencies, is another factor that can affect its price. In contrast, individual stock prices are more directly determined by earnings projections for the specific company. Thus, the stock price for one retailer may rise during the quarter, while another's may fall.

## BY THE NUMBERS

The tables shown in the general and business media, while varying in format, provide the basic information you need to compare prices for similar Treasury, municipal, corporate, and mortgage bonds.

When considering bonds as investments, there are several pieces of information you need to know:

- The bond's coupon rate—what it will pay in interest;
- The bond's maturity—how long before the principal amount of the bond matures;
- The bond's call date, if there is one;
- The bond's recent price; and
- The bond's current yield—the amount of interest the bond will pay as a percentage of the market price of the bond.

Essentially, all bond tables give this same, basic information. As an example, a typical Treasury listing (government agency tables are similar) would appear in the paper as shown in Table 1.

The Treasury issue would be identified by its coupon rate and the

date of maturity. In the first listing in Table 1, the Treasury issue is paying its bondholders 7¾% interest, and it is due to mature in February 2004.

The prices listed include both the bid price (the price current buyers are willing to pay for the bond) and the ask price (the price at which current sellers are offering the bond for). The prices are stated in percentages of the bond's face value of \$1,000; fractions represent 32nds, and are appended to the whole percentage after a colon. The first listing, for example, has a bid price of 105:12, which means the highest buyer was willing to pay 105<sup>12</sup>/<sub>32</sub>% (or, 105.375%) of the bond's \$1,000 face value, or \$1,053.75, compared to the lowest seller's asking price of \$1,054.38 (105<sup>14</sup>/<sub>32</sub>% or 105.438% of \$1,000), a difference of 63 cents per thousand. By looking at the bid and ask prices, you can see that an investor who bought the bond at par (\$1,000; a box of definitions appears at the end of the article) when it was first issued can make a profit of more than 5% if it were sold now.

The reason for the profit can be explained by the rate column. This security, with three years left to maturity, pays higher interest than prevailing rates (as of the date of the listing) on newly issued three-year Treasuries, so it is more attractive to an investor. But because the investor would pay a premium to purchase the existing note, the yield to maturity is 5.50%, which is below the coupon rate.

In the second listing, the bond pays a lower coupon rate, 5¾%. Its price was unchanged the day before, closing at 99:27, or \$998.44, indicat-

**TABLE 1. TREASURY BOND TABLE: AN EXAMPLE**

Rate	Maturity	Bid	Ask	Chg.	Ask/Yld.
7¾	Feb 04	105:12	105:14		5.50
5¾	Feb 04	99:26	99:27		5.44

ing an investor buying that security would be able to acquire it at a discount from its par value of \$1,000 because rates on newly issued three-year bonds are higher than this bond's coupon rate. Because the investor is buying the bond below its par value, the bond's yield to maturity, 5.44%, exceeds its coupon rate.

## THE TAX-EXEMPT MARKET

The tax-exempt bond market is the most popular sector for individual investors interested in bonds. About 30% of all outstanding municipal bonds are held by individuals. For that reason, it is particularly important that investors have an understanding of how to read price information. An example of a typical listing appears in Table 2.

Looking at these two examples, a buyer would know that a 30-year municipal bond paying 5% interest would cost about \$970. In this case, the slight price variances may be attributable to different credit ratings and other factors.

In the first row, the State of Nevada general obligation bonds are offering a coupon rate of 5% with a maturity in May of 2031. The most recent price of this bond, shown as a percent of its face value, was \$971.25, \$28.75 less than its initial offering value per \$1,000. In other words, if the buyer's bid was accepted, he would pay less than the current bondholder did when the bond was first issued, because prevailing interest rates at the time of the listing were higher than 5% on similar tax-exempt bonds. Because of this discount, the buyer would be earning a yield to maturity of 5.19%, more than the stated interest rate because he bought the

**TABLE 2. TAX-EXEMPT BOND TABLE: AN EXAMPLE**

Issue	Coupon	Maturity	Price	Yield to Maturity
Nevada GO Bds	5.00	5-15-31	97 <sup>1</sup> / <sub>8</sub>	5.19
Nebraska Public Power District	5.00	1-1-31	97	5.20

bond at less than its face value.

The second issue, offered by the Nebraska Public Power District, has the same coupon, or interest rate, 5% and matures in January of the same year, 2031. Just as in the Nevada example, the seller would be receiving less than what he paid for the bond when it was originally issued, \$970 per \$1,000, a 3% loss. The lower price consequently raises the yield to maturity for the buyer to 5.20%.

The Bond Market Association and Bloomberg News LLP provide a yield table for AAA-rated insured revenue bonds, a useful benchmark for prices of other municipal issues. In addition, the Bond Market Association and Standard & Poor's sponsor a phone service that provides subscribers with current prices of up to 25 securities for \$9.95. Call 1-800-Bond Info for details.

## CORPORATE BONDS

As with the Treasury and municipal market bond listings described above, corporate bond listings also show the coupon, or interest rate; maturity date; and last price. However, because corporate bonds are more actively held by large

institutional investors, the listing table shows the current yield and includes the volume traded. A typical corporate bond listing would look like the example in Table 3.

The companies issuing the bonds are listed in the first column—in this case, the professional basketball team the Boston Celtics and the telecommunications company Pacific Bell. Immediately after the names comes the interest rate paid by the bond as a percentage of its par value. The Celtic's bond pays 6%; Pac Bell's pays somewhat more, 6<sup>5</sup>/<sub>8</sub>%. The small "s" in the Celtic's listing simply separates the interest rate from the year the bond matures, 2038; the Pac Bell bond matures in 2034.

The basketball team's bond has a current yield of 9.2% based on its closing price of \$653.75 per \$1,000. The volume traded on the exchange the day before amounted to 22 bonds expressed in \$1,000, or \$22,000, and the price rose \$2.50. Similarly, the phone company had a volume of \$5,000, and closed nearer its par value, \$991.25, down \$1.25 for the day.

## BOND BENEFITS

Investing in bonds generally provides a high degree of safety with regular, predictable, scheduled payments over the life of the security.

Now that you understand how to read the bond tables in the newspaper and in other media, you'll have a strong base to begin discussing your bond investment needs with your broker. ♦

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**TABLE 3. CORPORATE BONDS:  
AN EXAMPLE**

Bonds	Cur.Yld.	Vol	Close	Net Chg.
BosCelts6s38	9.2	22	65 <sup>3</sup> / <sub>8</sub>	+ <sup>1</sup> / <sub>4</sub>
PacBell 6 <sup>5</sup> / <sub>8</sub> 34	6.7	5	99 <sup>1</sup> / <sub>8</sub>	- <sup>1</sup> / <sub>8</sub>

### Bond Definitions

**Call Date:** The date at which some bonds are redeemable by the issuer prior to the maturity date.

**Coupon:** The rate of interest payable annually. Where the coupon is blank, it can indicate that the bond can be a 'zero-coupon,' a new issue, or that it is a variable-rate bond.

**Current Yield:** The ratio of interest to the actual market price of the bond, stated as a percentage. For example, a bond with a current market price of \$1,000 that pays \$60 per year in interest would have a current yield of 6%. In the Table 1 example of a newspaper Treasury bond listing, the current market price used for the yield calculation is the ask price.

**Maturity Date:** The date when the principal amount of a security becomes due and payable.

**Par Value:** The principal amount of a bond or note due at maturity.

**Yield to Maturity:** The yield on a security assuming that interest payments will be made and reinvested until the final maturity date, at which point the principal will be repaid by the issuer.

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