

# [Apple’s return to the bond market](https://assignbuster.com/apples-return-to-the-bond-market/)

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Churner (2014) writes an interesting article portraying Apple's return to the bond market in 2014. In April 2014 Apple completed its second blockbuster bond sale in a year. Apple sold a $ban of debt of varying maturities at interest rates that were mostly less than a percentage point above comparable U. S. Treasury debt (Churner, 2014). This sale goes a long way in highlighting the faith in the prospects of Apple. The offering was extremely tempting for investors who flocked to place more than $ban on orders (Churner, 2014).

The bonds sold Tuesday offered interest rates relative to Treasures that were similar to last year's sale. For example, a 10-year bond from Apple on Tuesday was priced to yield 0. 77 percentage points more than comparable Treasuries. Last year, Apple priced 10-year bonds to yield 0. 75 percentage points more (Churner, 2014). In all, Apple sold fixed-rate bonds maturing in three, five, seven, 10 and 30 years, and was priced to yield 1. 068%, 2. 108%, 2. 889%, 3. 460% and 4. 483%, respectively (Churner, 2014).

Deutsche Bank GAG and Goldman Sacks Group Inc. Deed the sale. The head of 'investment-grade credit at Invoices, Chuck Burger describes how " Apple's bonds are an attractive alternative to Treasury bonds. " He goes on to suggest that the reason they are so popular is due to their past strong performance, and the fact that everyone knows of Apple and has become very trustworthy of the brand name. Invoices spent $million on the new Apple bonds. The value of Apple's bonds is determined through its supply and demand like any other economic good or service.

Demand for Apple's bonds has been high for a few seasons, and therefore the value of the bonds is also high. They are highly sought after because they are rated as AAA+, the second-highest rating (Churner, 2014)- this in turn reflects a corporate-debt market that is putting in a strong performance this year. Bond prices are often inversely correlated to expectations about the future economy, and thus the stock market. In 2013 bond investments (demand) declined amid investor expectations that the U. S. Economy would pick up steam. However, this has turned around in 2014 as expectations have deteriorated.

Apple does have a lathe cash pile ($1 ban) but there is a range of investors that fear selling bonds to reward shareholders can ding the value of a company's outstanding debt. In order for the value of Apple's bonds to remain strong it must ensure that it keeps its products as industry leaders; as soon as this is not the case the demand to invest in Apple bonds will shrink and the price will fall. Worktables (2013) attempts to explain why a company like Apple with such high cash levels would want to issue bonds; fundamentally issued by companies to raise cash.

This essentially comes down to a irk in the tax regime: " According to analyst estimates, Apple has $Bonn of cash- but only $ban on hand in the U. S., and thus not enough to fully fund the share buyback program" (Worktables, 2013). Therefore although Apple has a vast amount of cash, it needs the ability to access more in order to make up for the less accessible cash they have stored abroad. References Churner, M., (2014). Apple Returns to Bond Market.