Augmented economics due to bonds

Economics

Abstract

This paper contains the summary of the article " Mutual funds gained assets, thanks to bonds". Also, it includes my analysis. Findings recommendations and conclusion based on the content of the article.

Financial crisis has been the major problem of every investors, economists and businessmen around the world. Its domino effect has plagued almost all of the countries around the world. It happens when the banking system of the United States over evaluate their assets causing them to have an economic crisis. Economic crisis is a situation where in the economy of a country experiences a downfall due to financial crisis. United States was not the only country that shoulders the burden. Those countries that rely to U. S. economic stability have suffered incredibly. Most investors withdraw their investments in stock market making the problem more crucial to other businessmen. On the other hand, it is not only the investors that matters, we have bonds too. This was the theme of Kevin Kingsbury and John Kell's article.

The two authors signify the role of bonds, on how it stabilizes the financial needs of the economy despite the withdrawal of investments and the force closing of many companies. It has been revealed here that outflows are higher than inflows that are why many companies are closing, moreover, laborers have been lay off to save the company. Instead from companies' income the bulk of cash that goes to mutual funds comes from the bond funds. From then the taxable funds increases while municipal funds decreases. As outflows continue to rise the first half's total declined. It is lower than the first half total obtained last year. Accordingly, as institutional funds grew, decrease in the retail funds is seen. This trend in different funds gives lower total fund assets. As stated in the article it is the first time since October 2007. Retail funds decreased and taxable nongovernment funds have an increased in their outflows but the assets of taxable government funds grew higher as their inflows grew. The drift they emphasize is somehow good since it by some means it stabilizes fiscal crisis.

Figures have been given to support this article. It seems like that their analysis is true since it was I think based on a company's research.

Bonds have somehow low interest and have longer time to mature compared in investing to stock market. But these bonds somehow give credit for those investors that used it. These bonds must be strengthen and improve to be able to give a much more reliable aid in times of crisis especially during economic crisis. Given the fact that these bonds are there it must be localized so the more individual will invest in here for the future. But these bonds are not the answer forever when crisis like this happens again. Investors outside the country and fellowmen are still the most reliable income givers. Solutions are given to problems not another problem. Government and private sector must work hard to regain the economic power and stability of United States. Laws regarding economic policy must be strengthened or otherwise revision are to be made to make it more reliable and comprehensive.

Reference

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