

Bonds essay

[Business](#), [Company](#)



It is prudent to begin by saying that Conoco Phillips is an oil group that is organised around four areas of activities. The areas include refining and distribution (taking about 76. 2% of net sales. Secondly, hydrocarbon exploration and production (taking about 20. 2%), thirdly, processing and distribution of a gas (3. 5%) and others taking 0. 1%. this corporation is considered the world's largest independent exploration and production company that is based on reserves and the production of natural gas and the liquid. His headquarters are based in Texas, Houston and it has operations in more than thirty countries.

Bond issue can be defined as those bonds that have been sold by a particular corporation or the government agency at a certain time and which can be identified by their dates of maturity. So, the three bond issue in ConocoPhillips Corporation are: the 2015 notes which shall mature on January 15th 2015, the 2020 notes which are to mature on January 15th 2020 and finally, the 2039 notes that are to mature on February 1, 2039. Therefore, the corporation is going to pay for interest on 2015 and the 2020 notes semi-annually on January 15th and July 15th of each year beginning from January 15th 2010. The company is also to pay interest on the 2039 notes semi-annually on February and august 1 of each year from august 1, 2009.

The 2039 notes constitute an additional issuance of the 6. 50% notes due by 2039 that had been issued originally on February 3, 2009. However, the 2039 notes offered here and the ones which had been previously issued are to be treated as a single class of debts securities under the indenture. Upon the completion of the offering, it is estimated that about \$2, 750 in the

aggregate principal amount shall be outstanding. In the case where the bond is called earlier, the issuer pays the call price.

Senior bond are those bond which have a higher priority over other bonds when claiming for assets and bonds. The subordinate bond is those bonds which are ranked junior to all of the senior bonds of the Conoco Philips.

However, such subordinate bonds may be ranked equally with or senior to the other subordinate bonds that may be outstanding from time to time.

Therefore, according to the principle of subordination, the payments of any premium and interest on the bonds that are subordinates shall only be done after the senior debts have been settled in full.

The Intel bonds are the bonds which are given by big companies such as the Intel Corporations. One major provision of the sinking fund is that certain bond insurers are required to redeem or buy back the bonds and regular intervals. Therefore, such a bond may be bought back by the insurer on the secondary market or directly from the bond holders. From the CPC perspective, the sinking fund shall be redeemed at the option of the CPC; these funds will be redeemed either in whole or in part at any time and from time to time. The notes shall be redeemable in the principal amount of \$2000 or any other integral multiple of \$1000.

The payments of the sinking funds can either begin immediately the bond is issued or instead deferred for ten or more years from the issue date. The provision of the sinking fund is a requirement and not an option for the insurer to redeem the increments of the issue as outlined.

Therefore, anybody who consider to buy a bond that contain some off the features of the sinking fund, then such a person should be prepared to get

his/her bond returned before the maturity date. For example, even if the issuer is fully committed to buy back 6% of a given issue on a certain date, such issuer should understand that there will be no guarantee that every investor will have 6% of their investments redeemed.

The assets pledged bond is those assets that are backed with securities. In this case, the securities are the certificates which represent the interests of a given pool of assets such as the auto loans, the credit receivables and home equity loans among others. It is prudent to note that trading in such more sophisticated asset backed securities is always done by more advanced investors.

The corporation expects the net proceeds to be approximately \$1, 986, and 73. 00. This is the estimated figure after deducting underwriting discounts and the estimated expenses of the offering which the company is to pay. The net proceeds will be used for the general corporate purposes such as reducing the outstanding amounts under the Conoco Philips \$6. 35 billion commercial paper program. The net proceeds will be used for the payments or refinancing of the debts within the corporation. The net proceeds will also be used for acquisitions, working capital, capital expenditures and repurchases and the redemption of the securities. The coupon rate is between 20% and 50%. The yield was approximately \$1, 986, 730, 000. The yield is calculated by subtracting underwritings from the public offerings. The price in dollars for bonds in the corporation is 58. 6100; on the other hand, the discount in dollars is \$0. 3600. The potential investors in bond include institutional investors such as investments trusts, endowments and insurance companies among others. They invest in bonds in order to

diversify their liabilities in order to ensure that their investments goals are fully met. They also invest in bonds so as to protect the value of their investments.

The current yield of the bond can be obtained by dividing the coupon yield by its market price for instance coupon yield of 4.5% which trades at 103 can be obtained by:

$4.5/103 \cdot 100 = 4.37\%$. On the other hand, the initial bond yield is that percentage which the investor can expect to make at the beginning of the bond account. Most of the time, the initial yield do depend on the interest rates charged on the bond.

I would invest in bonds. This is because of the various advantages which an individual enjoy as a result of investing in bonds. For instance, bonds ensure slow but steady predictable returns; despite the fact that stocks do better than bonds in the long run, it is prudent to appreciate the fact that bonds do outperform stocks in certain time especially during economic recession.

Bonds are also better than investing in banks. For instance, the bonds can yield much greater interest compared to the rates of interest that is paid on the banks on the saving accounts. Therefore, bonds are a good way for investing because it can give individual relatively higher returns compared to the banks and with a relatively lower risk.

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