

International bonds: credit ratings

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Why do most International bonds have high Moody or Standard & Poor's credit ratings? Credit Rating is a social Intermediary service to provide credit information and reference for the community. Credit rating is aimed to show the size of a credit default risk the rating object, rating agencies focus on financial conditions and historical data to give the overall valuation of object. Currently, credit rating on the issue of international bonds is the popular investment risk valuation method in the international capital market.

Specifically, this is assessed on debt servicing capacity of the issue bonds in a period, its fundamental purpose is to protect the interests of investors. At present, there are about 20 credit rating agencies on the issue of international bonds over the world, Moody, Standard & Poor's are the top 2 institutions all over the world. Though they are private institutions, but the rating scale and guidelines gradually become recognized as internationally accepted samples with considerable authority. Credit rating is the 'traffic permit' for bond issuer to enter the

International bond markets. International bonds with high credit ratings mastered the global information dominance and capital allocation rights. The rating will directly affect the level of costs and interest rates of overseas companies, it also can affect the strength of a business or even the survival and development of a country. Credit rating could provide objective and impartial credit information in order to strengthen management, avoid risks, optimize investment, boost sales and improve efficiency.

High credit rating can increase the international business community awareness, improve competitiveness, to expand markets, increase sales and

achieve rapid development of enterprises, expanding the scope of corporate finance at the same time, promoting financing success. High credit rating also can reduce financing costs in international enterprises.

Companies with high credit ratings can get more credit policy. In economic exchanges, easily to expand the scale of financing, therefore reduce financing costs.

Q. What should a borrower consider before issuing dual-currency bonds?

What should an investor consider before investing in dual-currency bonds?

Dual-currency bond is a bond that is issued in a currency and pays coupons in the currency as well. At due date, the capital is paid in another currency. The coupon rates for dual-currency bonds are usually higher than other straight fixed-rate bonds. The amount of principal would set when the bond is issued based on currency appreciate.

There are many motivations for issuing the dual-currency bond, but the core reason is due to the long-term foreign currency offered by bank are rarely more than a decade, it must be used in order to avoid the foreign exchange risk. Exchange rate uncertainty would primarily considerate for both the borrower and investor when dealing with dual-currency bonds. Currency fluctuation will influence whether a borrower or issuer will gain or loss. As for the borrower, if the issued currency appreciates or principal, thus, the borrowers will benefit.

However, if the issued and coupon currency depreciate or principal currency appreciates, the borrower will suffer a loss from exchange rates. As for the investor are opposite to borrower. If the principal currency appreciates or

issued currency depreciates, the principal repayment they receive will be more valuable than the issued currency repayment, thus, the investors will benefit. On the contrary, they will suffer a loss from exchange rates. Normally, coupon rate dual-currency bond is higher than the single-currency bonds.

On the publisher's point of view, the repayment in different currencies may get lower risk, therefore, the bond issuers were willing to pay a higher coupon rate in order to reduce exchange rate risk, and choose to pay the dual-currency bond. Q. Discuss the process of bringing a new international bonds issue to market. The main international bond issuance processes are as follows: (1) The issuer will contact an investment banker and ask it to serve as lead manager of an underwriting syndicate.