Supplement 9 Notes

I.M.F. Planning to Sell Bonds to Finance New Loans

Bond = is a way for a company or govt. or institution to borrow money from the public or investors. If a company or institution sells or issues bonds, it issues notes promising (to whoever buys the notes) that it will redeem the note at maturity. The buyer of the bond pays for the bond at the time of issue, gets interest payments annually or semi-annually, then at maturity can redeem it from the company or institution that issued the bond to get the original capital back.

Bond price and market interest rates are *inversely related*, meaning if the interest rate in the economy is high, the price of the bond is low, and if the market interest rate is low, the price of the bond is high.

What is the risk of buying a bond? *Default risk*, meaning the company or institution that issued the bond might default (say, a company goes bankrupt) and is not able to redeem the bond at maturity. For a company or institution planning to issue a bond, it has to be a financially strong company for its bonds to sell.

authorized =

emergency loan =

advanced stages of a plan =

Which govt. are the expected buyers of the bonds?
1.
2.
3.
4.

short-term borrowing =

political clout =

frustrated =

small share =

voting power =

(to) *weather* (the global financial crisis) =

(a bigger voting) *stake* =

in exchange for =

(an) *overhaul* (of the organization's voting structure) =

oppose =

dramatic shift =

dilute (their own voting power) =

(get around the) *roadblock* =

close (to agreeing on a plan) =

What does this statement mean: “The bonds would have to be repaid after one or two years, so they would not increase the fund’s permanent resources.”

(countries) *trapped* (in cash squeezes) =

frozen (credit market) =

What does this statement mean: “a vehicle for some countries to provide resources to the fund.”

(the emerging markets are) *drawing a line in the sand* =

uncertain =

(promise of) *reform* =

What is China’s voting power currently at the IMF and what percent of the new emergency fund of $500 billion is it asked to contribute?

proposed (bond issue) =

(most important) *priority* =

the new lending facility =

(increased) *optimism* =

(the global financial crisis is) *easing* =

(unemployment stops climbing and begins to) *recede* =

flexible (credit lines) =

blindsided (by the sudden inability to borrow in global capital markets) =