



Intro to Debt Markets

The Global Debt Market



When You Hear “Debt”



Loans



Credit cards



Mortgage

Debt market is a **different ball game...**

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Global Debt Market (in 2022)

Source: 2023 Global Debt Monitor, International Monetary Fund, September 2023



Global Equity Market (in 2022)

Source: 2023 Capital Markets Fact Book, Securities Industry and Financial Markets Association (SIFMA), July 2023



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Debt is a Universal Tool



Government

Build infrastructure



Businesses

Fund their operations



Private Households

Buy houses

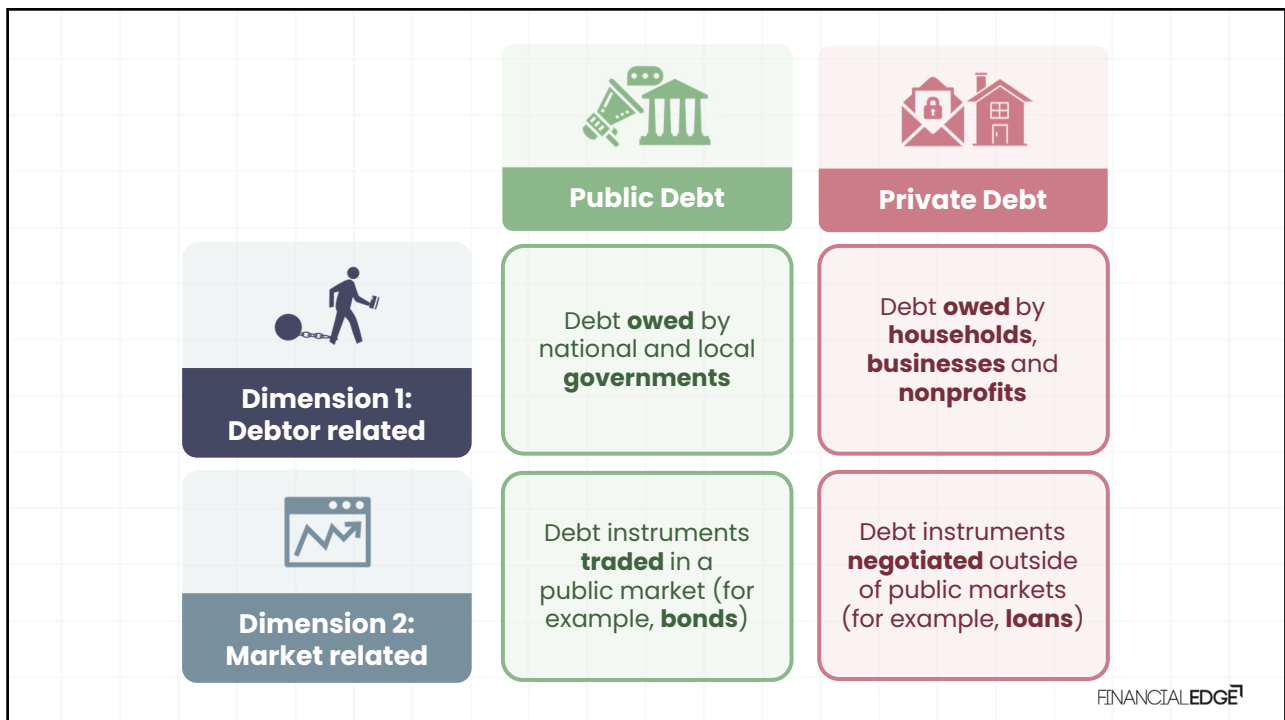
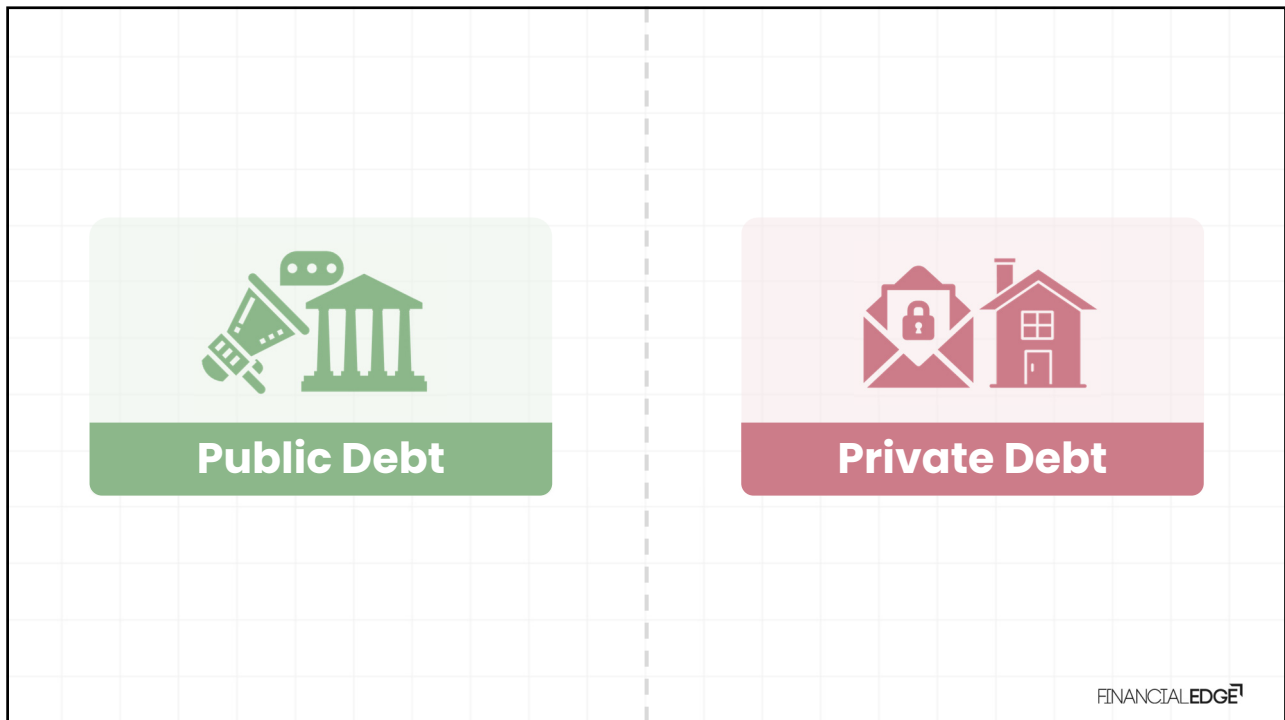
Debt is the promise to **pay back borrowed money** with **interest**

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Public vs. Private Debt – The Two Dimensions

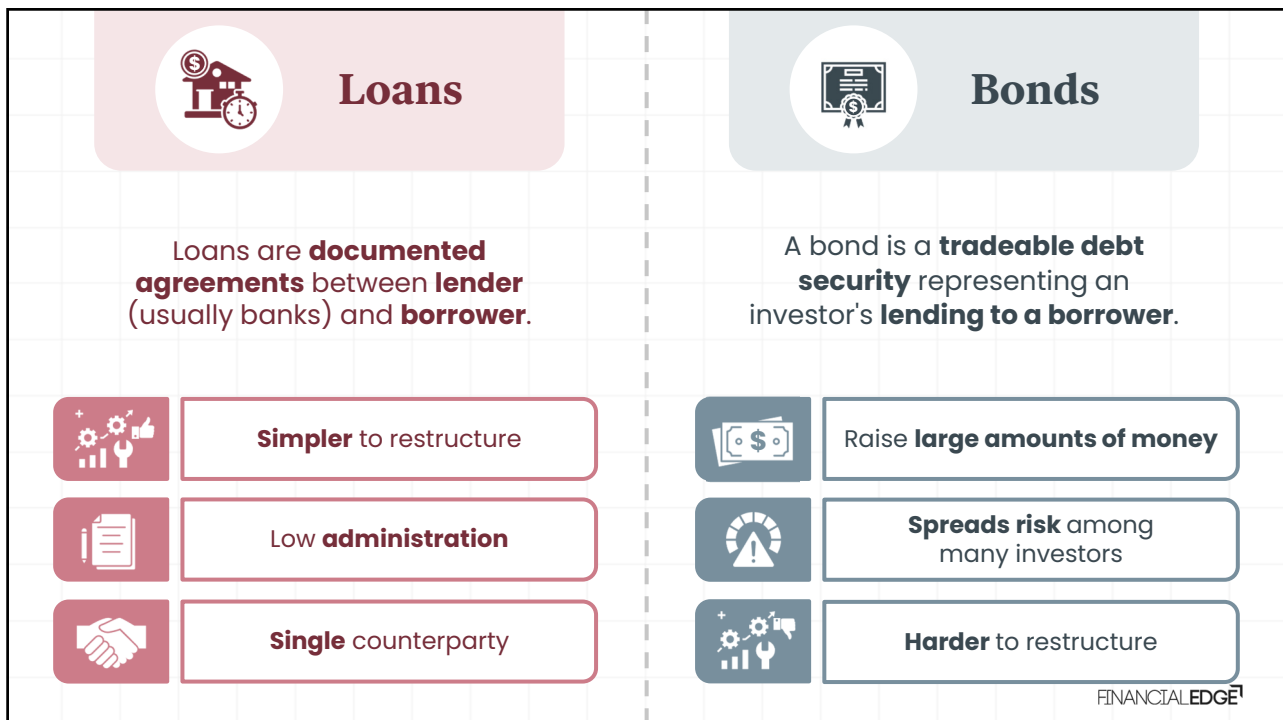
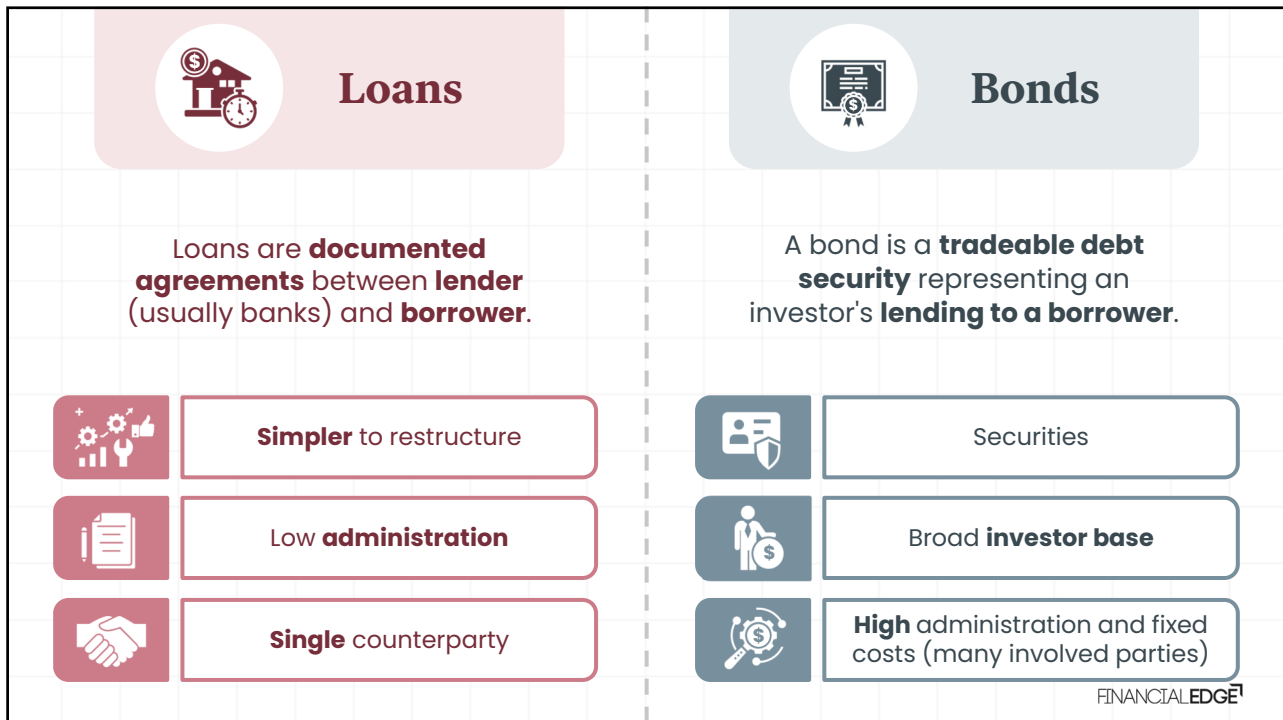


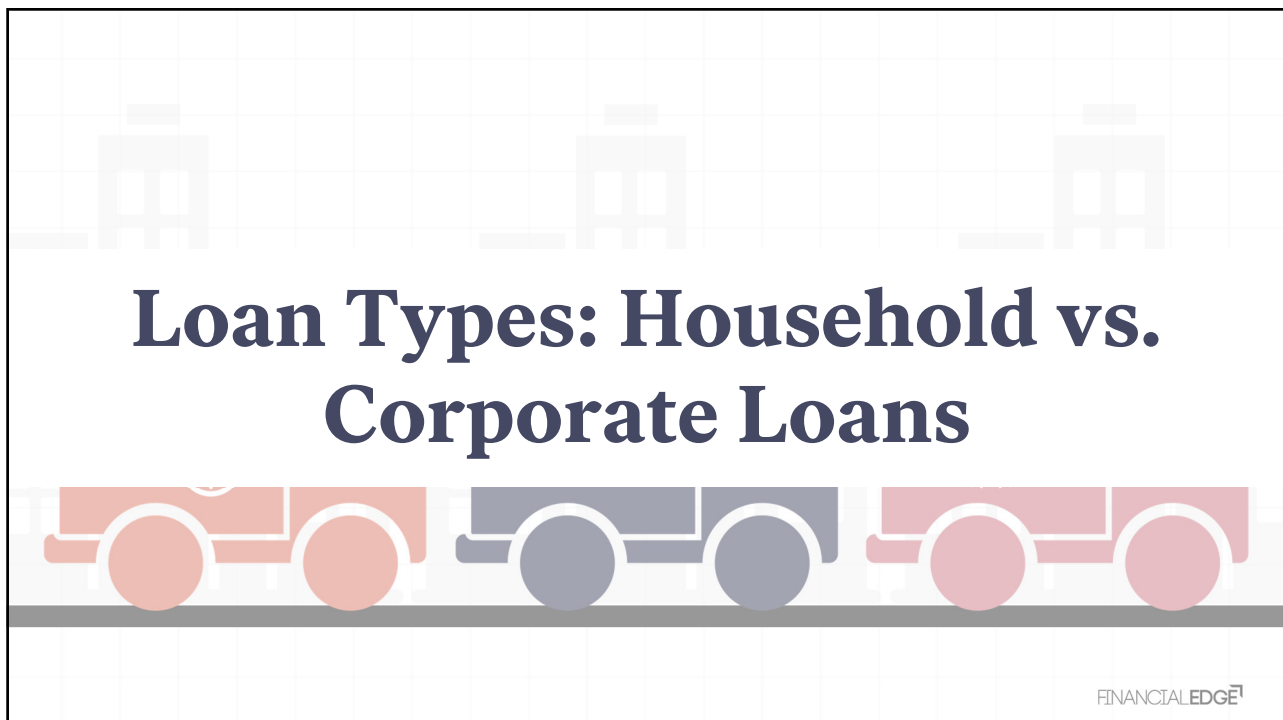
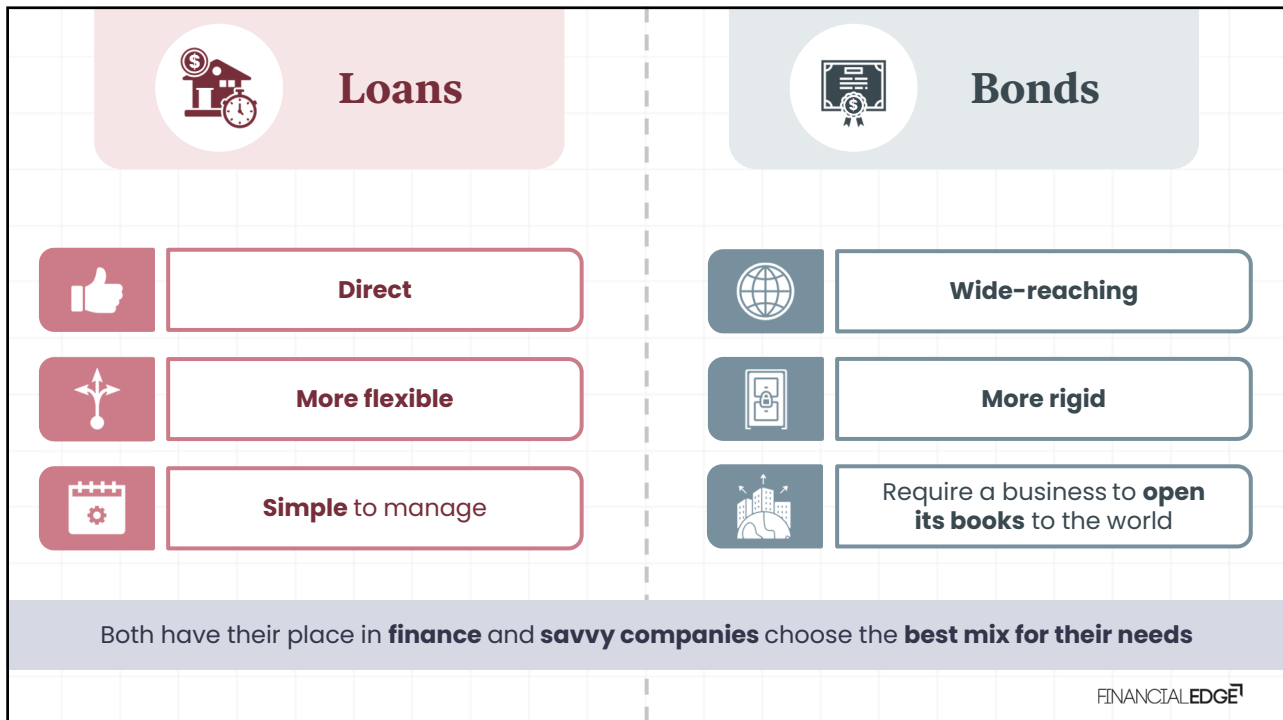
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Loans vs. Bonds

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Loans

While all loans are documented agreements **between lender and borrower**, there are many **different categories** to be aware of.



Household Debt



Corporate Debt

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Household Debt

Money borrowed by individuals.



Consumer Loans

For example:
To buy a new car

Standardized terms



Residential Mortgages

For example:
To buy a new home

Standardized terms



Corporate Debt

Money borrowed by businesses.



Bilateral Loans

Single lender



Syndicated Loans

Multiple lenders

Terms reflect individual client's health,
project type and risks involved

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Loan Types: Revolving Facilities vs. Closed-End Loans

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**Revolving
Facilities**



**Closed-End
Loans**

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Revolving Facilities

A pool of funds you can **dip into**, **repay** and **reuse** as needed.



ACCESS TO FUNDS

Line of **credit** readily available.

Overdraft facilities

Credit cards



INTEREST RATE CHARGES

Charged only on the **amount used**.

Flexible

Cost-effective

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Revolving Facilities

A pool of funds you can **dip into**, **repay** and **reuse** as needed.



FLEXIBLE REPAYMENT STRUCTURE

Borrowers:

Continuous access to funds



Lenders:

Engagement with clients

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Revolving Facilities



Closed-End Loans

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Closed-End Loans

Borrow a **set amount**, then **repay over time** following a **pre-agreed** repayment schedule.



ACCESS TO FUNDS

One time access. Once repaid, if you are looking to take on **new debt**, you **must negotiate a new loan**.



INTEREST RATE CHARGES

Interest is charged on the **outstanding loan amount**.

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Closed-End Loans

Borrow a **set amount**, then **repay over time** following a **pre-agreed** repayment schedule.



CONTRACTUALLY AGREED REPAYMENT STRUCTURE

Single amount at maturity



Regular **equal** amounts



Regular **unequal** amounts

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Loan Types: Secured vs. Unsecured Loans

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Secured Loan



Unsecured Loan

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Secured Loan



Collateral required

If you **can't pay**, collateral is **seized**.

Households:

Mortgages
or car loans

Businesses:

Loan to buy
new machinery

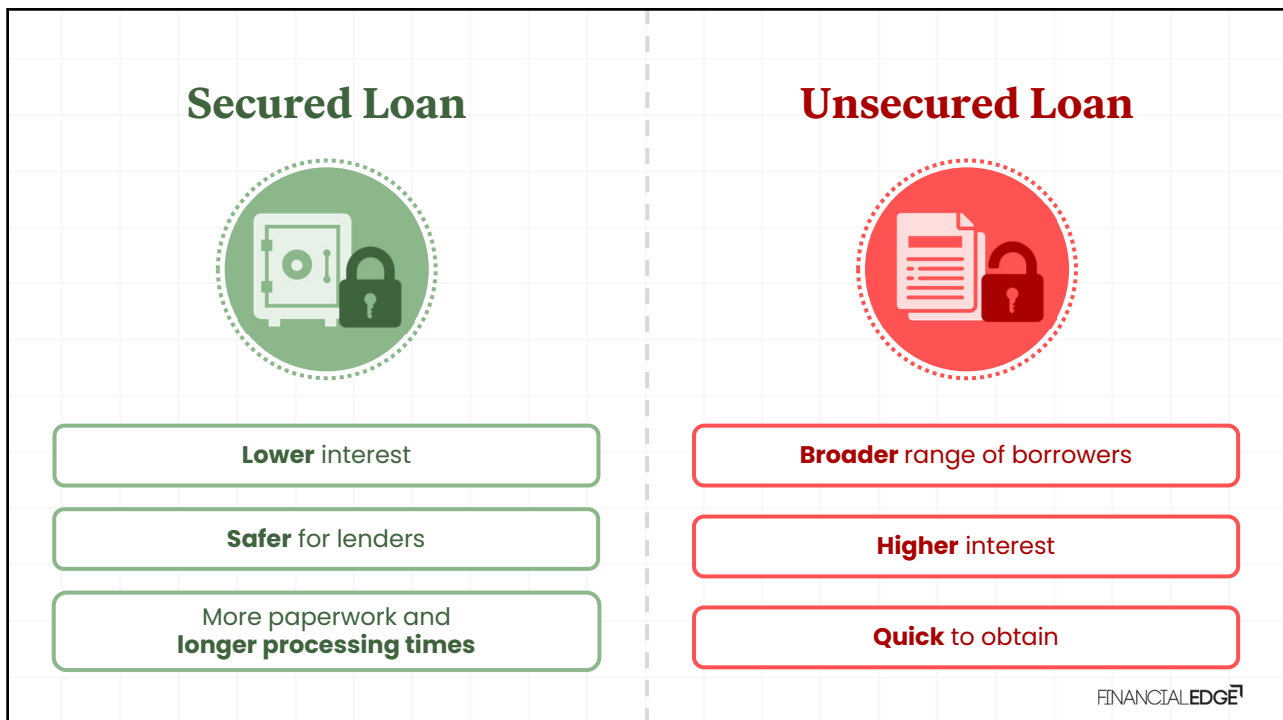
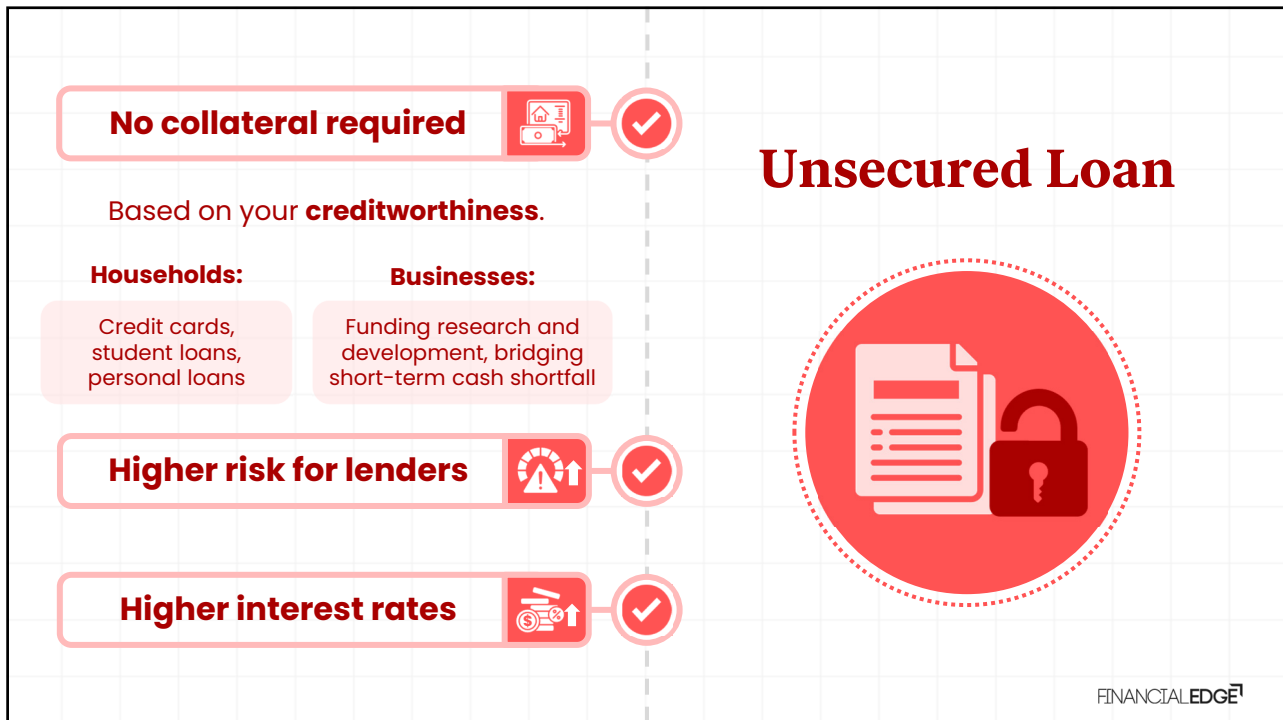


Lower risk for lenders



Lower interest rates

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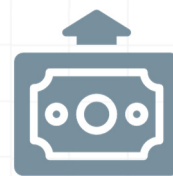
Investment Grade vs. High Yield



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Credit Rating

An assessment of the creditworthiness of a borrower in terms of their ability to repay debt.

AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	...	C	D
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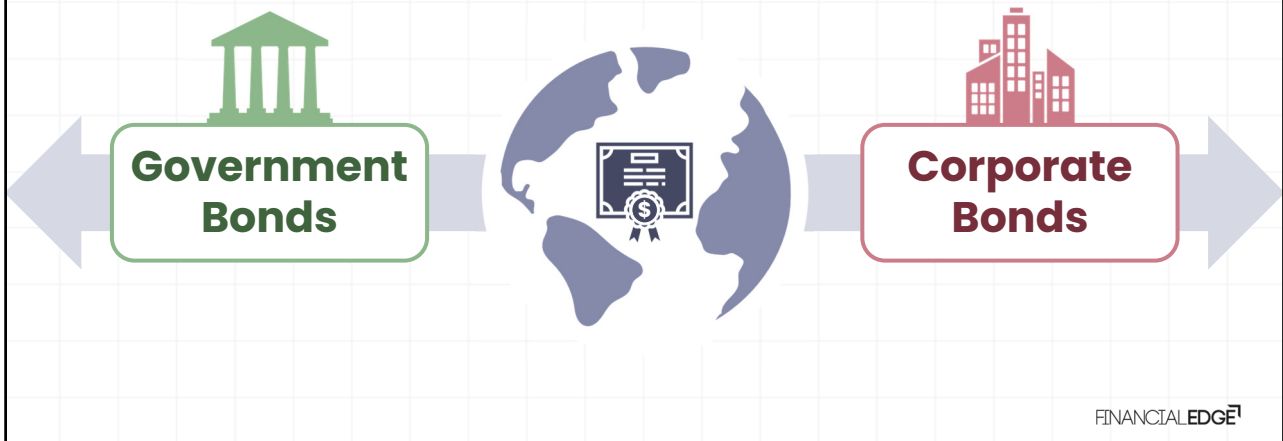
**Investment Grade****High Yield Debt**FINANCIALEDGE⁷

AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	...	C	D
 Investment Grade										 High Yield Debt									
Ratings from AAA to BBB-										Higher risk of default									
Stable and reliable , low risk of default										Offer higher yields to compensate for risk									
Issued by established entities										Ratings from BB+ and below									
Offer lower yields due to lower risk										Smaller investor pool, potentially higher returns									
Safer investment , with lower returns .										Valuable addition to a well-diversified portfolio with higher income .									
										FINANCIALEDGE ⁷									

Government Bonds vs. Corporate Bonds

Bond Categories

Who is borrowing the money?

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Government Bonds



Issued by governments for **funding** and **public projects**.



Considered a **safe haven asset** or practically **credit risk-free**.

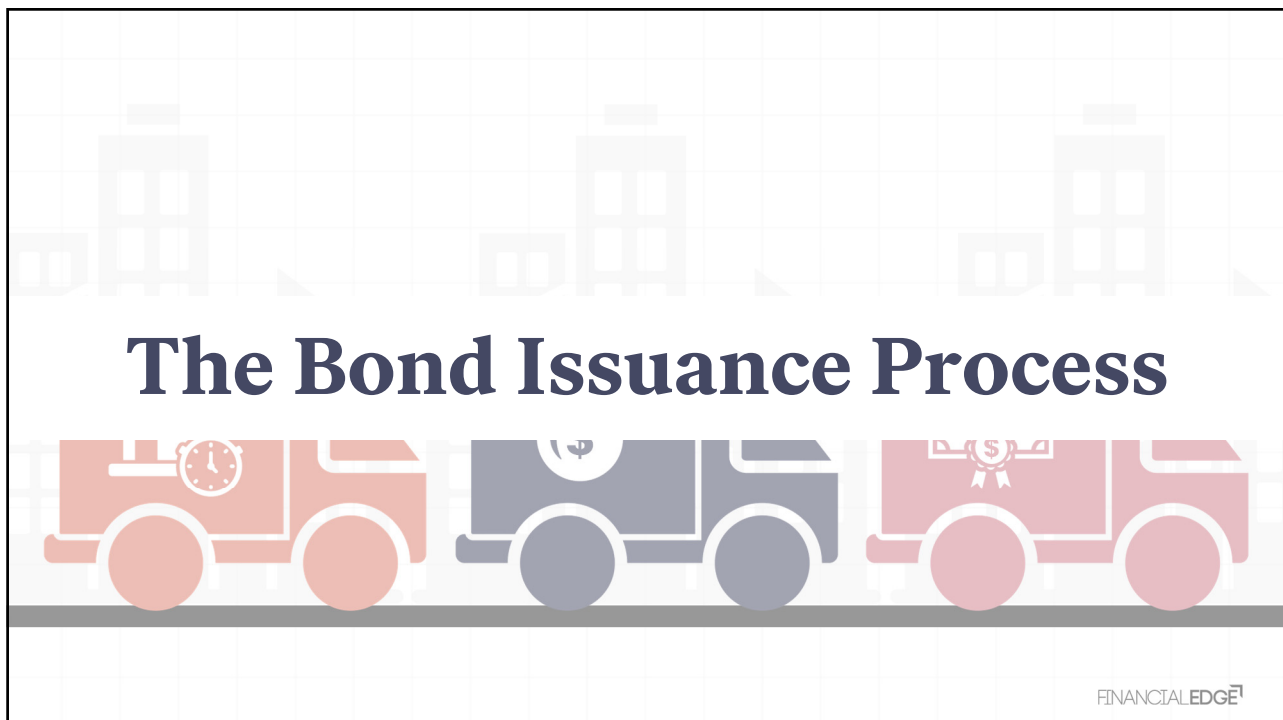
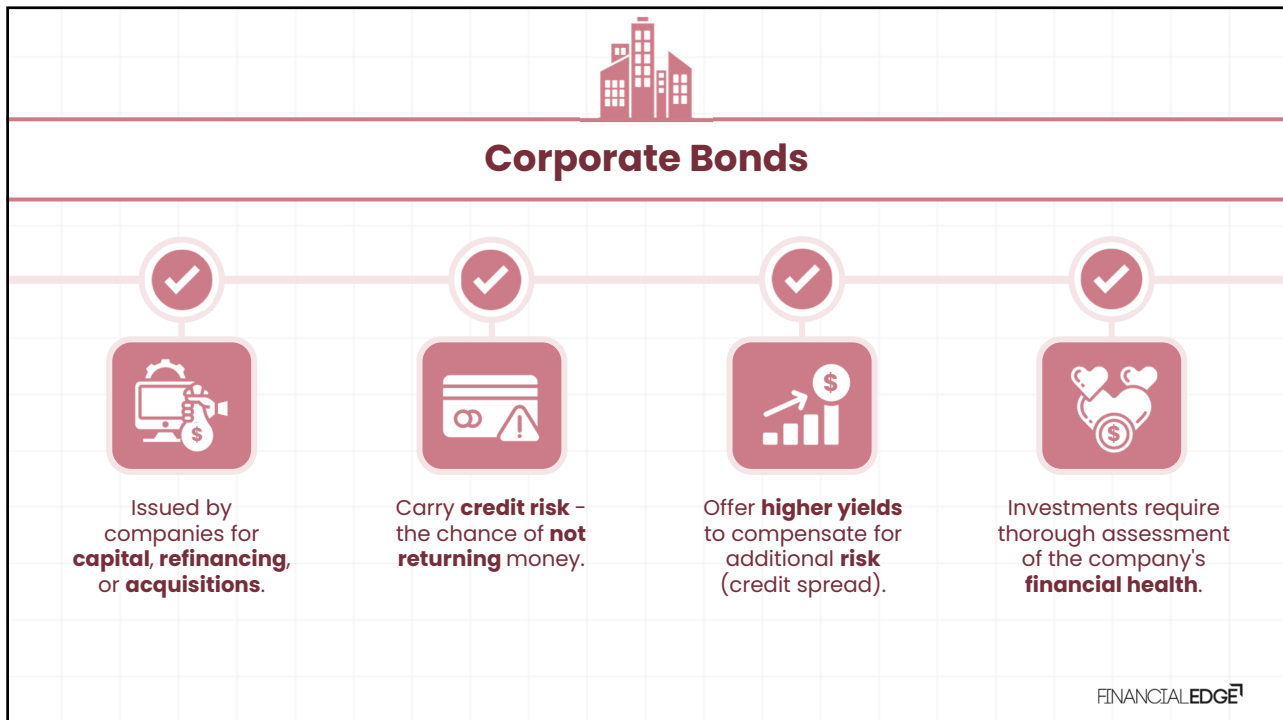


Backed by the government's **ability to tax** and create **currency**.



Lower yields but **stable income** and **capital preservation**.

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Loans and Bonds

Main features, advantages and considerations



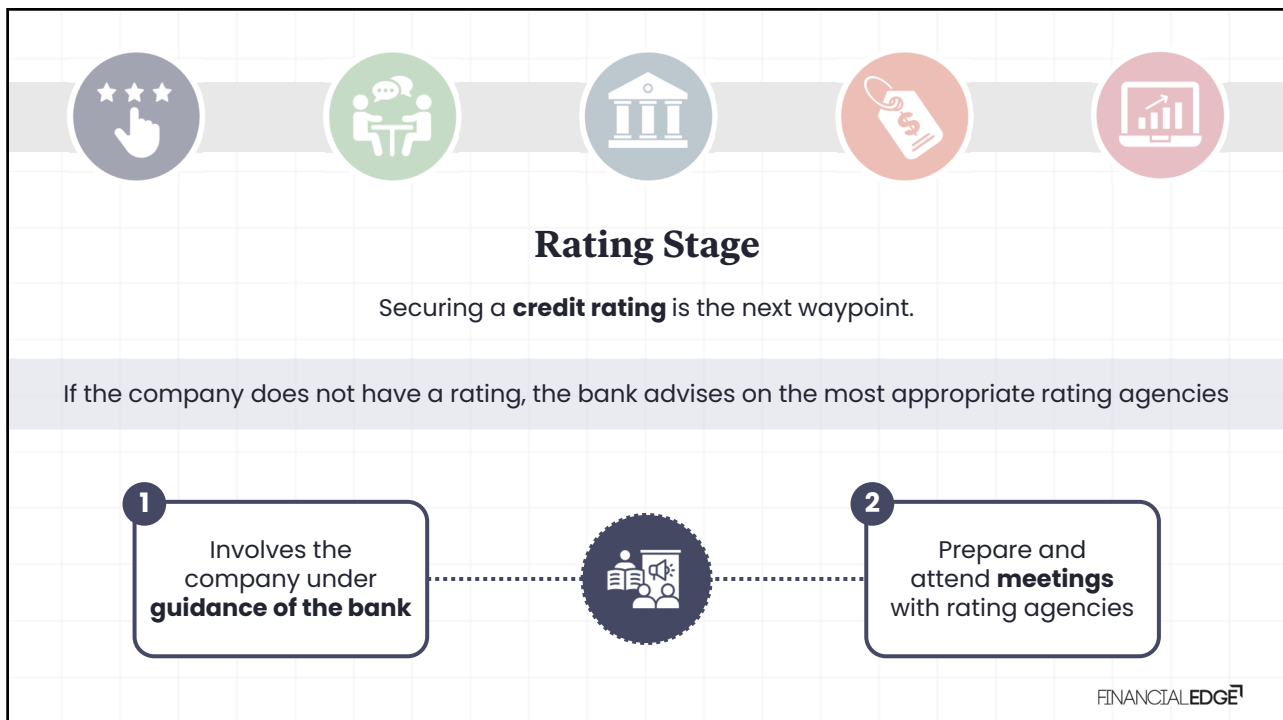
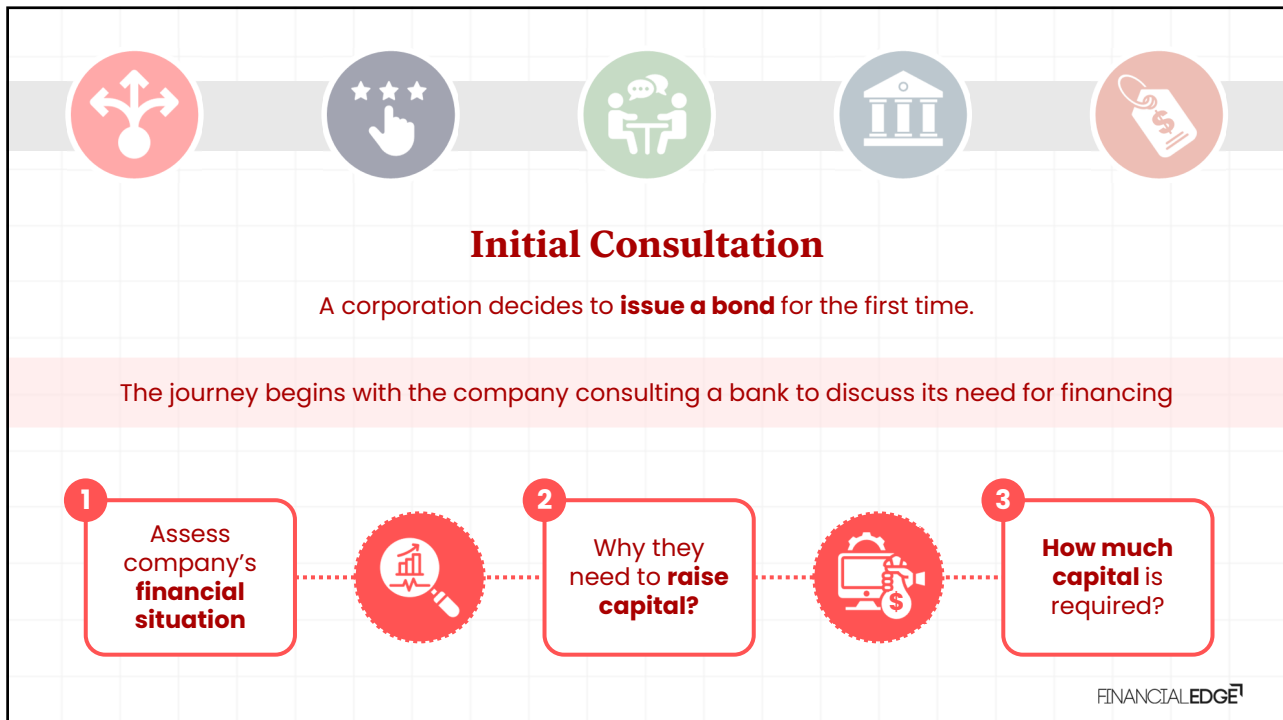
How does a **bond issue** take place?

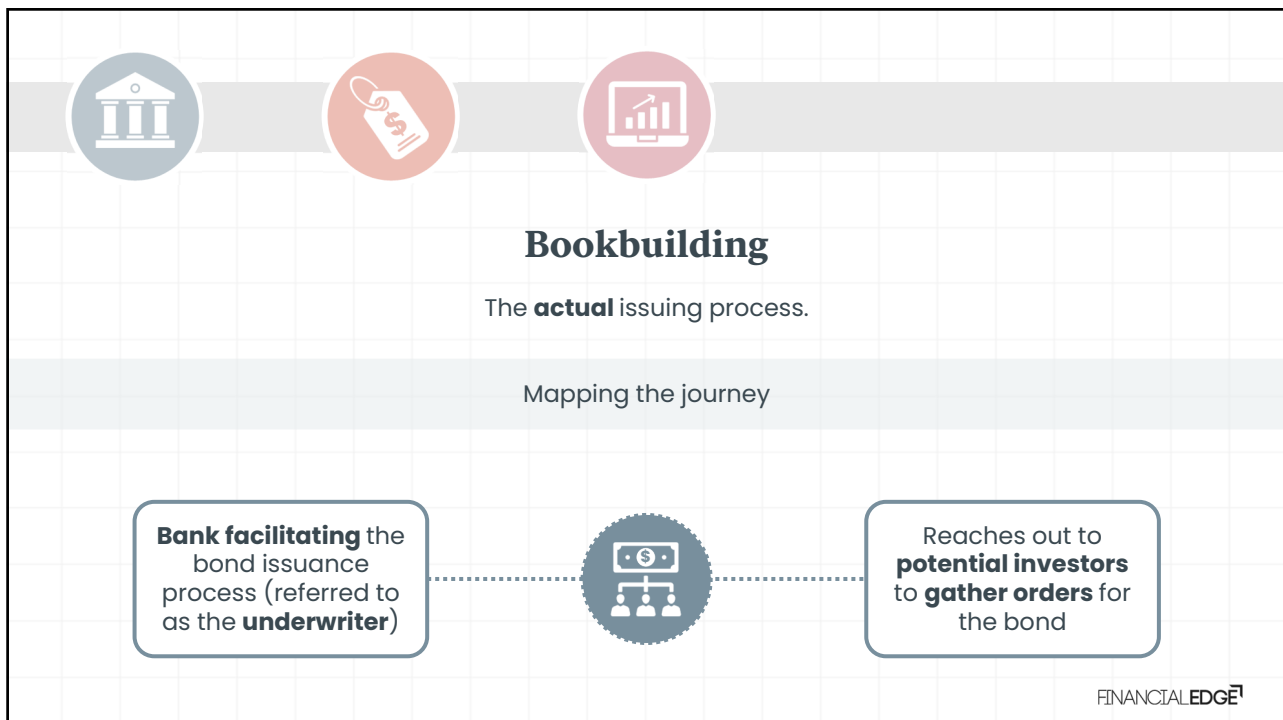
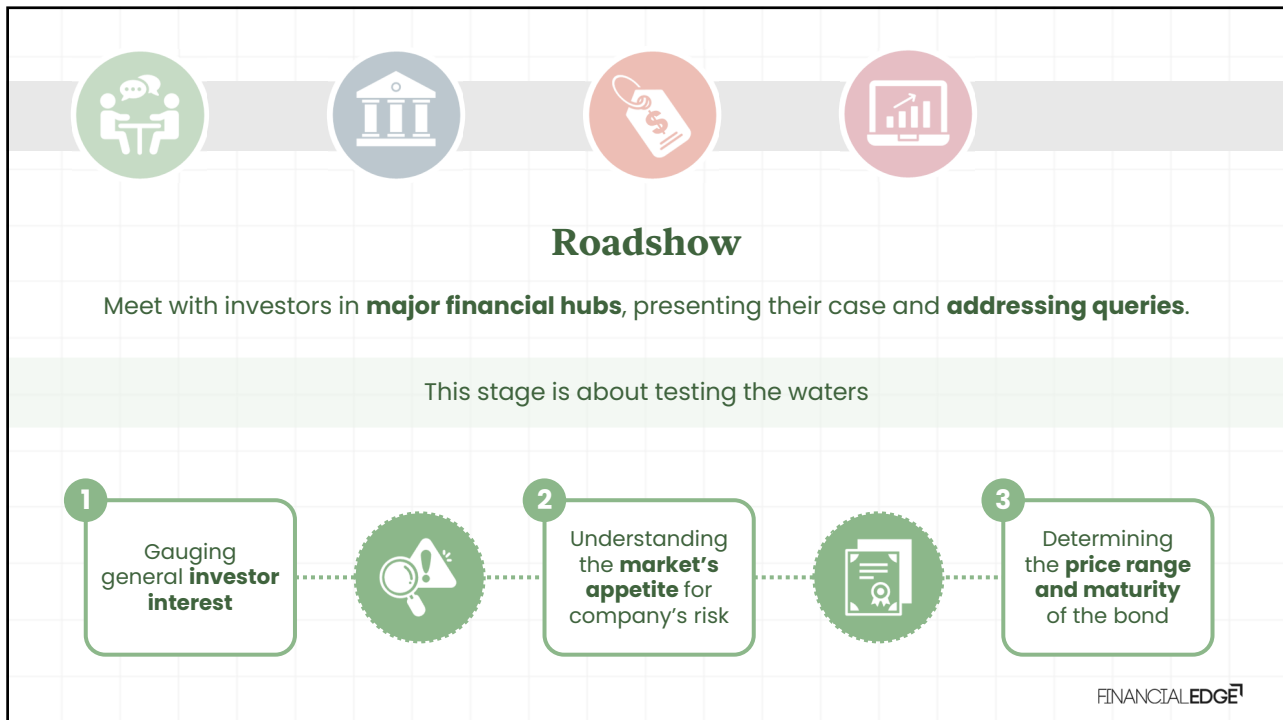
The Journey

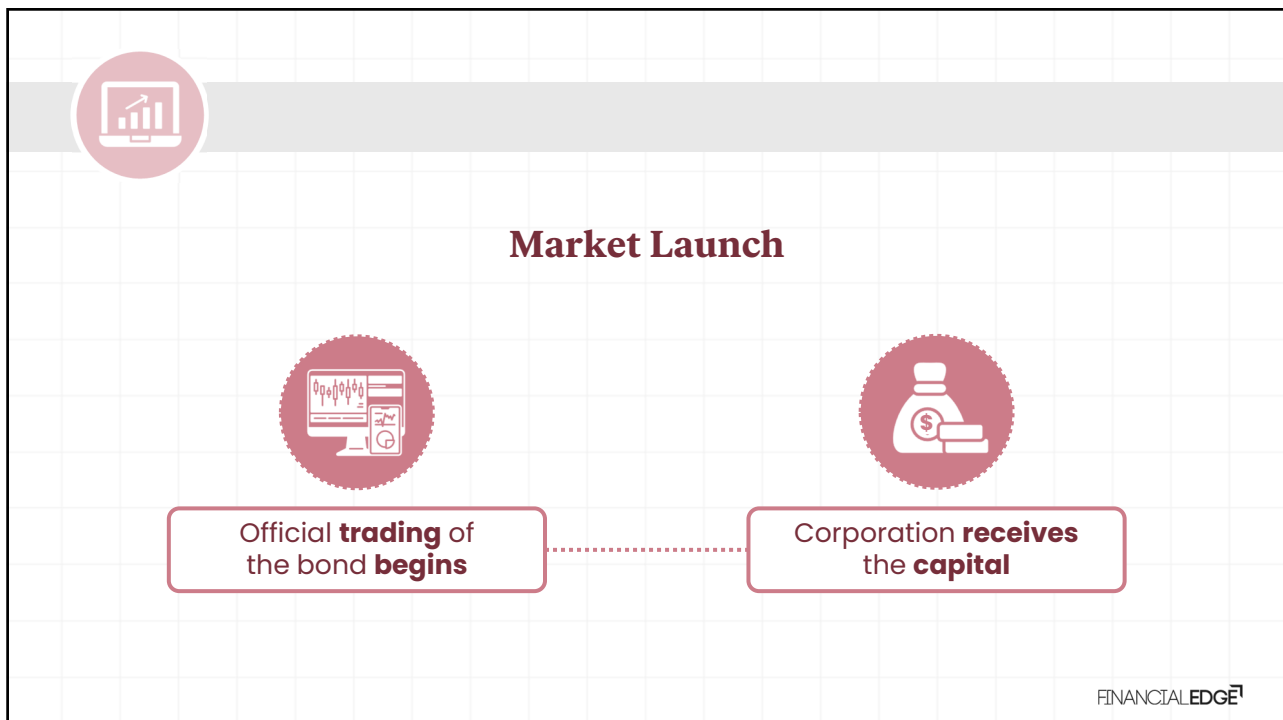
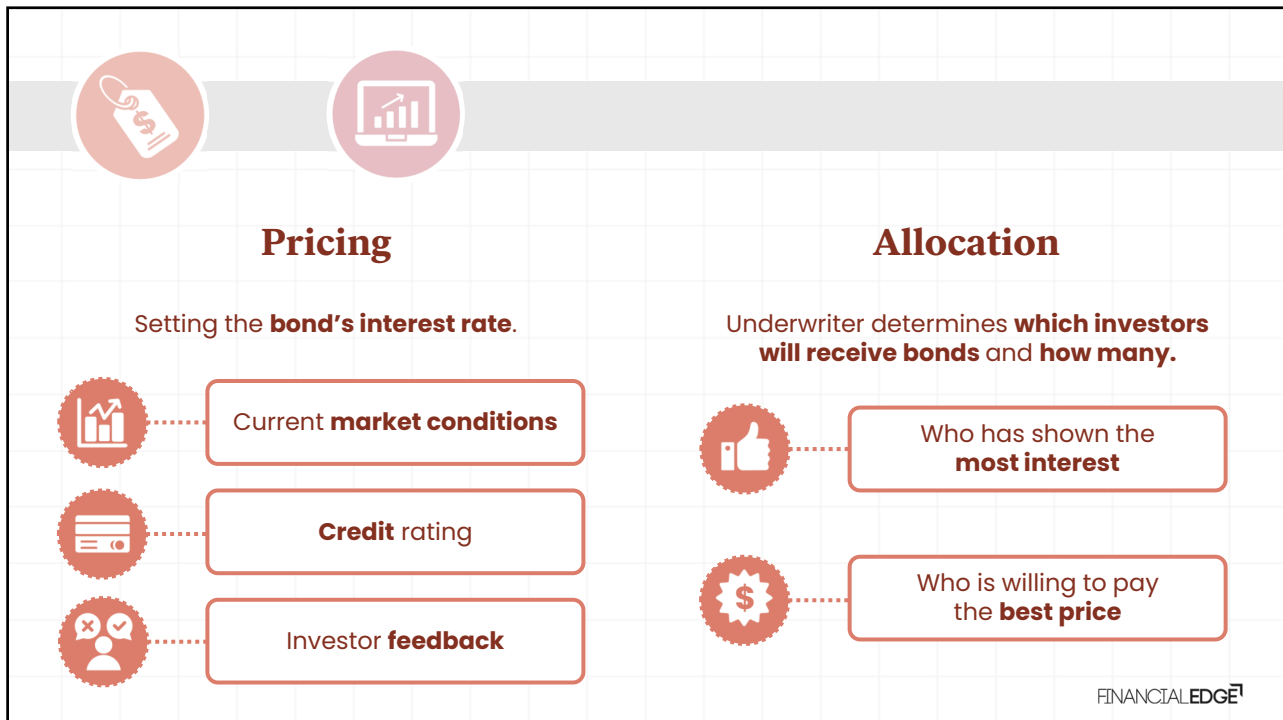
Conception to market involves **multiple stages**, each **critical in ensuring the success** of the bond issue.



The process refers to **corporate bonds**, and while the government bond issuance process **shares some of the elements** it generally **follows its own unique path**







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