

Bonds Online

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Bonds Online

INTRODUCTION

The market for fixed income securities, or bonds, is one of bewildering variety. Sovereign states, local municipalities, and corporations of all sizes issue bonds of different yields and maturities. While highly liquid, centralized markets like stock exchanges generate streams of easily observable financial data, most bond trades are handled by individual securities dealers in a fragmented secondary market. Information about these markets was once difficult to find for those outside of the community of bond traders. Bonds Online (<http://www.bonds online.com>) is a Web site that brings to the bond market the kind of current, easily accessible price information that one normally associates with stocks.

Launched in 1995, Bonds Online is published by Twenty-First Century Municipals, Inc., a fixed income online information services company. The site offers current bond news, pricing, and other features of interest to the bond investor. Bonds Online is an impressive aggregation of free content for bonds.

MISSION AND INTENDED AUDIENCE

Bonds Online's target audience is the individual or small institutional investor in fixed income securities. The level of information presented ranges from introductory to in-depth. Only United States corporate, municipal, mortgage-backed securities, and government bonds are covered. Bonds Online collects information from professionals and dealers active in bond markets and presents the information in an easily retrievable form. Anyone with an occasional need for information on bonds can benefit from a visit to the site, from reference librarians fielding bond-related questions, to attorneys and financial advisers. Serious individual investors may find some of the subscription-only research reports of interest. The frequent bond trader or securities dealer will likely already have a subscription to a premium financial information service, and will find the site less useful. Researchers will be disappointed by the lack of historical information. However, those seeking current information on U.S. bond markets will find that Bonds Online delivers interesting content.

CRITERIA FOR INCLUSION OF INFORMATION

Bonds Online does not discuss its criteria for inclusion of information. Bonds Online generates its own content for some of the site, such as the Bond Professor's Question & Answer section. Content partners provide selected articles. Some portions of the site are simply links to other sources of bond information on the Web, such as the Department of the Treasury's pages

discussing U.S. Savings Bonds. Other data, such as current bond price quotes, are not explicitly sourced. Without a close examination of hyperlinks, it can be hard to tell which parts of the Web site are Bonds Online's own content and which are not. Also, aside from daily market news, it can be unclear how often different portions of the site are updated. Some areas contain outdated hyper-links. While the content appears to be selected for authoritativeness, relevance, and currency, Bonds Online could benefit from more disclosure of its selection practices.

AUTHORITY OF PUBLISHER

Bonds Online is published exclusively on the Web, without the imprimatur of a large, well-financed corporation or the continuity provided by a linkage to an historic print publication. However, the site is frequently cited as a leading portal to bond information.^{1, 2} Measured in Internet time, the site is a long-standing and reliable information provider. Much of its unique content, however, is supplied by its content partners, whose long-term allegiance to Bonds Online is unknown.

CURRENCY AND STABILITY OF INFORMATION

Time sensitive areas of the site, such as market news and bond prices, are updated daily. As discussed previously, other areas of the site lack clear indications of their currency, although they appear to be reliable. One exception was the End-of-Day Treasury yields table, which, at the time of review, had not been updated for two weeks.

As an advertising-supported site without direct ties to other sources of revenue, the long-term stability of Bonds Online is uncertain. Bonds Online is contemplating allowing bond trading through its site, which may affect the nature of the content offered. When viewed through the lens of Internet time, however, the company has a long-standing tradition of offering quality information to bond investors that is likely to continue for the foreseeable future.

SUMMARY OF HOME PAGE INFORMATION

Bonds Online offers information under the following headings: "Quotes/Search," "Bond News," "Treasuries," "Savings Bonds," "Corporates," "Municipals," "Research," "Bond Professor," and "Contribute??" The features of each section are outlined below.

Quotes/Search is perhaps the most compelling feature of the site. A large database of bonds in many categories can be searched for recent price information. CUSIP number, price, yield, coupon rate, issue date, and maturity date are clearly reported for each bond. Coupon payment dates, ratings, and other information (such as whether or not the bond is callable) are also given. Bonds Online does not reveal the source of this database, but Barra, Inc. appears to be the content provider. See "Comparability of other Internet Resources" below for further discussion. Price and yield information is based on recent trades as reported by securities

dealers. At the time of review, the database contained 3,530 corporate bonds, 9,116 municipals, 628 CMOs (Collateralized Mortgage Obligations), 520 zero coupon bonds, and 189 Treasuries.

The user can search for individual bond issues by issuer name or CUSIP number. Searches can also be screened by a number of categories, depending on the type of bond issued. All bond types can be screened for coupon, yield, price, and maturity date (or average life in the case of CMOs). Additional categories are available depending on the type of bond. For example, munis can be screened by state, rating, purpose of the issue (education, health care, etc.), whether they are taxable, prefunded, insured, and more. Corporate bonds can be screened by rating and industry sector. The search interface makes selecting these options easy.

Search results display quickly in a convenient list that can be sorted by maturity date, coupon rate, and other criteria. Clicking on an item in the results list retrieves the full information for an individual bond. Such convenient access to current market information is a powerful tool with which individual bond investors can work.

The next category of information is Bond News. Market News International provides a continuously updated newswire of articles relevant to bonds and financial markets. Columnists are featured in the Market News Intelligencer. Closing market summaries from around the world are provided by Bridge. Apparently, Reuters also once provided content, as indicated by an outdated link in this category. A daily outlook column, Bond Market Today, rounds out the free offerings here. Links to the subscription-only Income Securities Advisor and Defaulted Bonds Newsletter are also provided. The news offered is enough to keep one alert to major financial events while using the site, but does not compare to that offered by more comprehensive news services such as Yahoo! Finance or CNNfn.

Treasuries and Savings Bonds are listed as separate categories, but the links under each heading are identical. A nice chart and graph of the current Treasury Yield Curve is provided here, courtesy of Stocktrader.com (<http://www.stocktrader.com>), as is the aforementioned outdated End-of-Day Treasury table. A calculator that computes the current value of E and EE series U.S. Savings Bonds is linked from the Federal Reserve Bank of New York. Guides to the U.S. Savings Bonds program, suitable for beginning investors, are linked from the Department of the Treasury. Other links give current interest rates from the Federal Reserve and upcoming Treasury auction dates.

The Corporate Bonds section offers a very interesting table of corporate bond yields provided by Bridge. The table reports interest rate spreads over Treasury bonds for corporate bonds in all ratings categories, including “junk” bonds. Spreads can be computed using Bridge evaluators, or using Moody’s or Standard & Poor’s rated bonds. Although there is no date stamp, data is apparently reported daily for five categories of corporate bonds: Banks, Financial, Industrial, Transportation, and Utilities. Data is downloadable. As with other sections of the site, information is presented with little explanation. The table of spreads can be deciphered by someone with some basic knowledge of the bond market. For example, it becomes clear upon examination that spreads are recorded in 100ths of a percent. A bond rated AAA might have a spread of 91 over U.S. Treasury bonds at a 10 year maturity. This would mean the corporate bond offers an interest rate 0.91% higher than U.S. Treasuries. A second table, the Bridge CMO/ WHLN/ABS matrix, appears to be for experts only.

The Municipals section has links to the Quote Search and the two subscription newsletters mentioned under “Bond News.” A table of average municipal bond yields by rating and maturity is also provided, courtesy of Kenny Drake of Standard & Poor’s.

The Research section links to several sites offering commentary on bonds, including Van Kampen and Nuveen funds. Links to the four major bond ratings agencies, S&P, Moody’s, Fitch, and Duff & Phelps, are provided. The user can get current ratings on all major bond issues here.

The Bond Professor is an extensive list of bond-related questions and the Bond Professor’s responses. Here you will find information on the relationship between bond prices and yields, the difference between investing in bond funds and individual bonds, and more. You can ask your own questions of the Professor as well. The Bond Glossary clearly explains the jargon of the field, such as STRIPS (acronym for Separate Trading of Registered Interest and Principal of Securities, referring to zero-coupon Treasuries), swaps, and TRANs (tax/revenue anticipation notes). The Bond Library links to the Investor’s bill of rights, a guide to selecting a broker, and other useful documents.

Finally, the Contribute?? section solicits those who may be interested in writing for Bonds Online.

SPEED OF PAGE LOADING

Bonds Online loaded quickly and consistently on both LAN and modem connections. Animated advertising banners sometimes delay the appearance of textual information. The interface is script and frame intensive. This worked well on a relatively new computer with Netscape 4, and with IE 4 and higher, but other configurations may experience some delays. Once loaded, the frames speed navigation and page loading, since only a small portion of the page is reloaded as one moves about the site.

EASE OF NAVIGATION

All segments of the site are easily accessible from the left sidebar. Heavily used features such as bond quotes and market news are highlighted on the home page, and thus are available with one click. Clicking on a heading in the sidebar brings up a clear summary page of relevant links, so that almost all features of the site are only two clicks away. For example, to access the Bond Glossary, one clicks on “Bond Professor” in the left sidebar, then “Bond Professor’s Glossary” within the frame. No option is offered to navigate without frames. The ratio of advertising to content appears to be slightly higher than the norm for this kind of site.

COMPARABILITY WITH OTHER INTERNET RESOURCES

Relatively few sites offer bond pricing information free of charge, although there are several services such as BondVu (<http://www.bondvu.com>) or Street Research (<http://www.mkts.com>) that offer subscription access to current bond market information. Some sites that do offer similar content are CNNfn's Bond Center (<http://www.cnnfn.com/bondcenter>) which offers access to the same database of current bond prices that Bonds Online uses. Interestingly, CNN credits Barra (<http://www.barra.com>) as the provider of this database, information that Bonds Online does not reveal. The search interface is identical to that of Bonds Online. Several tests revealed that the information reported from CNNfn and Bonds Online is identical. However, Bond Center does not offer as much additional bond-related content as Bonds Online does.

Another service that offers an excellent selection of literature on the bond market is the Bond Market Association's Investing in Bonds site (<http://www.investinginbonds.com>). Here one can view many introductory guides to the workings of the bond market, along with pricing information on Municipal bonds that have traded four or more times on the previous trading day. A comparison of prices with Bonds Online revealed that the information was comparable, but that Bonds Online's prices were reported as slightly higher in each case. Perhaps the Barra database that Bonds Online uses takes broker's commissions into account. Restricting reported prices to frequently and recently traded securities increases the reliability of prices reported, but restricts the number of listings compared with Bonds Online. When investigating municipals, Investing in Bonds is an essential cross check to the information reported in Bonds Online. Investing in Bonds offers more literature for the beginning bond investor as well.

CONCLUSION

Bonds Online offers an excellent collection of current information on bond markets to the individual lacking access to costlier subscription-only databases. Some of its features, such as its searchable database of domestic bonds, are quite powerful tools for bond research. The site is well organized and easy to navigate. All those with a need for current bond market information should be familiar with its contents. However, the site could be improved by clearer attribution of data sources and improved maintenance to ensure the currency of all portions of the site. While the data presented appears to be accurate and carefully selected, doubts are raised by the lack of explanation or context for data drawn from other Web sites. The presence of outdated links also raises questions in a site that is heavily focused on selective, current information. The site needs some polish to bring it up to the standards of the leading Web providers of financial information. That said, Bonds Online offers a collection of information that is unmatched by other Web sites that focus on bonds. It has a place in the bookmarks of any business librarian. The site was last reviewed October 31, 1999.

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NOTES

1. Doebele, Justin. "Bonds," *Forbes*, September 13, 1999, p. 68.
2. Gutner, Toddi. "How to Seal a Great Bond Deal: For the First Time, Investors Have the Pick of the Litter," *Business Week*, May 24, 1999, p. 110.