

ZERO COUPON BONDS

- Bonds which do not have any coupon issues at discount to par, and redeemed at par.
- Interest earned is the value difference between issue and redemption price.
- Zero coupon bonds are more sensitive to change in interest rates (high duration) than a coupon paying bond.
- As these bond return solely depends on price taking a flight to par value and any change in rates affect the price of bond more severely.
- When ZCB have long maturity and issued at heavy discount termed as Deep Discount!

