Answer 1.:

1. Synthetic bonds are a type of financial instrument that is created by combining a bond and a derivative. The derivative used is typically a swap, which allows the holder of the synthetic bond to receive the interest payments of the underlying bond, while also having the option to receive the bond's principal at maturity. This combination of a bond and a swap creates a synthetic bond that can be tailored to specific investment needs, such as interest rate risk management or yield enhancement.

2. Synthetic bonds are used for various purposes in financial markets. One of the primary uses is for the management of interest rate risk. By combining a bond with a swap, investors can create a synthetic bond that is less sensitive to changes in interest rates. This can be particularly useful for investors who are concerned about the impact of rising interest rates on the value of their bond investments.

3. Another use of synthetic bonds is for the enhancement of yield. By combining a bond with a swap, investors can create a synthetic bond that has a higher yield than the underlying bond. This can be achieved by structuring the swap in a way that increases the cash flows received by the investor.

4. Synthetic bonds can also be used to create exposure to specific credit risks or to gain access to certain markets that may not be directly accessible through traditional bond investments. For example, a synthetic bond could be used to create exposure to the credit risk of a particular company, even if that company does not issue bonds directly.

5. It is important to note that synthetic bonds, like all financial instruments, carry risks. These risks can include the risk of the counterparty to the swap failing to meet its obligations, the risk of changes in interest rates or credit spreads affecting the value of the synthetic bond, and the risk of liquidity issues if the synthetic bond is not easily tradable in the market.