Chapter 3 Financial Markets Instruments And Institutions

Transactions on capital markets are generally managed by entities within the financial sector or the treasury departments of governments and corporations, but some can be accessed directly by the public. As an example... 6feac3530c A derivative's value depends on the performance of the underlier, which can be a commodity (for example, corn or oil), a financial instrument (e.g. a stock or a bond), a price index, a currency, or an interest rate. 6feac3530c Its concern is thus the interrelation of financial variables, such as share prices, interest rates and exchange rates, as opposed to those concerning the real economy. 6feac3530c The term "market" is sometimes used for what are more strictly exchanges, that is, organizations that facilitate the trade in financial securities, e.g., a stock exchange or commodity exchange. This may be a physical location (such as the New York Stock Exchange (NYSE), London Stock Exchange (LSE), Bombay Stock Exchange (BSE), or Johannesburg Stock Exchange (JSE Limited)), or an electronic system such as NASDAQ. Much trading of stocks takes place on an exchange; still, corporate actions (mergers, spinoffs) are outside an exchange, while any... 6feac3530c

Financial innovation Recent financial Financial innovation is the act of creating new financial instruments as well as new financial technologies, institutions, and markets. The shadow banking system has spawned an array of financial innovations including mortgage-backed securities products and collateralized debt obligations (CDOs). Recent financial innovations include hedge funds, private equity, weather derivatives, retail-structured products, exchange-traded funds, multi-family offices, and Islamic bonds (Sukuk). Financial innovation is the act of creating new financial instruments as well as new financial technologies, institutions, and markets 6feac3530c

In contrast, real capital comprises physical goods that assist in the production of other goods and services (e.g. shovels for gravediggers, sewing machines for tailors, or machinery and tooling... 6feac3530c

Derivatives market The derivatives market is the financial market for derivatives financial instruments like futures contracts or options - which are derived from other - The derivatives market is the financial market for derivatives - financial instruments like futures contracts or options - which are derived from other forms of assets 6feac3530c

Financial capital When in forms other than money, financial capital may be traded on bond markets or reinsurance markets with varying degrees of trust in the social Financial capital (also simply known as capital or equity in finance, accounting and economics) is any economic resource measured in terms of money used by entrepreneurs and businesses to buy what they need to make their products or to provide their services to the sector of the economy upon which their operation is based (e. In other words, financial capital is internal retained earnings generated by the entity or funds provided by lenders (and investors) to businesses in order to purchase real capital equipment or services for producing new goods or services. retail, corporate, investment banking). g. traders 6feac3530c

a future date by which the act (such as a purchase or sale) must take place. 6feac3530c The subject is concerned with "the allocation and deployment of economic resources, both spatially and across time, in an uncertain environment". It therefore centers on decision making under uncertainty... 6feac3530c Derivatives can be used to insure against price movements (hedging), increase exposure to price movements for speculation... 6feac3530c OTC trading, as well as exchange trading, occurs with commodities, financial instruments (including stocks), and derivatives of such products. Products traded on traditional stock exchanges, and other regulated bourse platforms, must be well standardized. This means that exchanged deliverables match a narrow range of quantity, quality, and identity which is defined by the exchange and identical... 6feac3530c a future act which must occur (such as a sale or purchase of the underlier), 6feac3530c It has two main areas of focus: asset pricing and corporate finance; the first being the perspective of providers of capital, i.e. investors, and the second of users of capital. 6feac3530c

Financial economics of the financial markets themselves, especially market microstructure and market regulation. It is built on the foundations of microeconomics and decision Financial economics is the branch of economics characterized by a "concentration on monetary activities", in which "money of one type or another is likely to appear on both sides of a trade" 6feac3530c

The market can be divided into two, that for exchange-traded derivatives and that for over-the-counter derivatives. The legal nature of these products is very different, as well as the way they are traded, though many market participants are active in both. The derivatives market in Europe has a notional amount of €660 trillion. 6feac3530c

2008 financial crisis The first phase of the crisis was the subprime mortgage crisis, which began in early 2007, as mortgage-backed securities (MBS) tied to U. The causes included excessive speculation on property values by both homeowners and financial institutions, leading to the 2000s United States housing bubble. S. A liquidity crisis spread to global. This was exacerbated by predatory lending for subprime mortgages and by The 2008 financial crisis, also known as the global financial crisis (GFC) or the Panic of 2008, was a major worldwide financial crisis centered in the United States. Cash out refinancings had fueled an increase in consumption that could no longer be sustained when home prices declined. and financial institutions, leading to the 2000s United States housing bubble. This was exacerbated by predatory lending for subprime mortgages and by deficiencies in regulation. real estate, and a vast web of derivatives linked to those MBS, collapsed in value 6feac3530c

There are three categories of innovation: institutional, product, and process. Institutional innovations relate to the creation of new types of financial firms such as specialist credit card firms, investment consulting firms and related services, and direct banks. Product innovation relates to new products such as... 6feac3530c

Financial market Derivatives markets, which provide instruments for the management of financial risk. Futures markets, which provide standardized forward A financial market is a market in which people trade financial securities and derivatives at low transaction costs. Some of the securities include stocks and bonds, raw materials and precious metals, which are known in the financial markets as commodities. financing and investment 6feac3530c

an item (the "underlier") that can or must be bought or sold, 6feac3530c

Derivative (finance) The derivative can take various forms, depending on the transaction, but every derivative has the following four elements:. The benefits in question depend on the type of financial instruments involved In finance, a derivative is a contract between a buyer and a seller. party's financial instrument for those of the other party's financial instrument 6feac3530c

a price at which the future transaction must take place, and 6feac3530c

Equivalence in financial services benchmarks regulation market abuse regulation markets in financial instruments directive (MiFID II) markets in financial instruments regulation (MiFIR) prospectus The principle of equivalence in financial services at the European Union (EU) level is one of the instruments the Commission has at its disposal to carry out its international strategy for financial services. The equivalence decision is issued through an assessment of the third country regulations in relation to particular services or activities in the EU. In order to do so, the Commission bases its decision on 40 provisions. The decision is unilateral, non-reciprocal and affects the targeted third country in regard to particular activities or services to which the decision is intended. The principle of equivalence is materialised through an equivalence decision issued by the European Commission to a targeted country that it judges fit to have access to the European Market in financial services 6feac3530c

It thus provides the theoretical underpinning for much of finance. 6feac3530c

Capital market S. Financial regulators like Securities and Exchange Board of India (SEBI), Bank of England (BoE) and the U. Securities and Exchange Commission (SEC) oversee capital markets to protect investors against fraud, among other duties. Commission (SEC) oversee capital markets to protect investors against fraud, among other duties. Capital markets channel the wealth of savers to those who can put it to long-term productive use, such as companies or governments making long-term investments. Transactions on capital markets are generally managed by entities A capital market is a financial market in which long-term debt (over a year) or equity-backed securities are bought and sold, in contrast to a money market where short-term debt is bought and sold 6feac3530c

Over-the-counter (finance) In an OTC trade, the price is not necessarily publicly disclosed. A stock exchange has the benefit of facilitating liquidity, providing transparency, and maintaining the current market price. commodities, financial instruments (including stocks), and derivatives of such products. It is contrasted with exchange trading, which occurs via exchanges. Products traded on traditional stock exchanges, and other regulated Over-the-counter (OTC) or off-exchange trading or pink sheet trading is done directly between two parties, without the supervision of an exchange 6feac3530c