Stock Trading and Equity Investing with Python A-Z

Asset Classes

What is an Asset Class?

An Asset Class is a **grouping of investments** that
- exhibit **similar** characteristics
- are subject to the **same** laws and regulations
- often **behave similarly** to one another in the marketplace

Example: **Equities/Stocks** like Apple (AAPL), Microsoft (MSFT), Tesla (TSLA)

- There is usually very **little correlation** (or even negative correlation) between different Asset Classes

Example: Low Correlation between **Equities/Stocks** and **Fixed Income**

- Financial advisors focus on Asset Classes to help investors **diversify their portfolios**.
- Each Asset Class is expected to reflect **different risk and return** investment characteristics and **perform differently** in any given market environment.

Example**: Fixed Income/Government Bonds perform better** than Equities/Stock in an **economic downturn.**
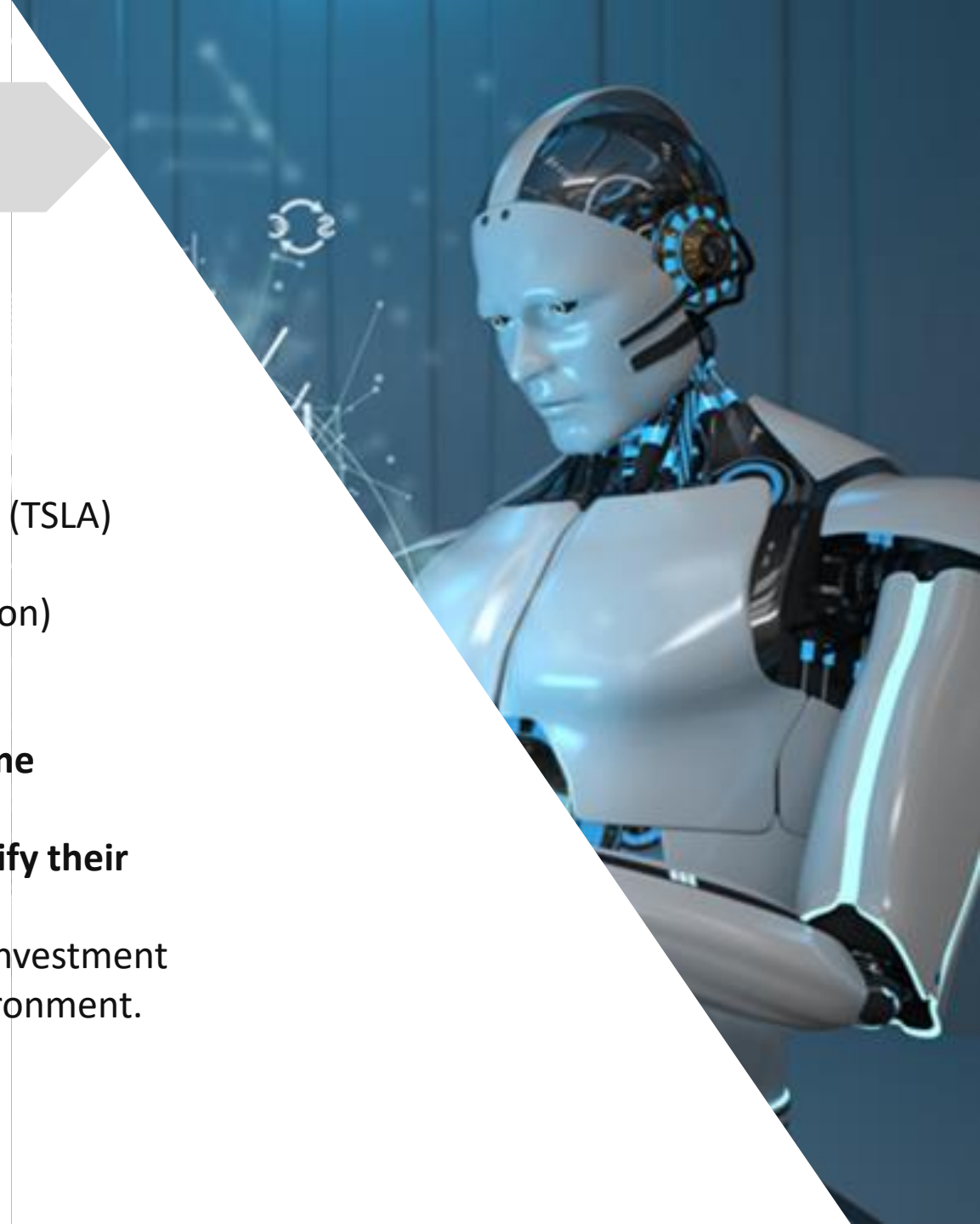
Asset Classes - Overview

Certificate of Stock

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Equities
- Listed Equity
- Private Equity

Certificate of Bond

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Fixed Income/Debt
- Government Bond
- Corporate Bond
- Corporate Loans

Alternative Investments
- Real Estate
- Commodities
- Cryptocurrencies
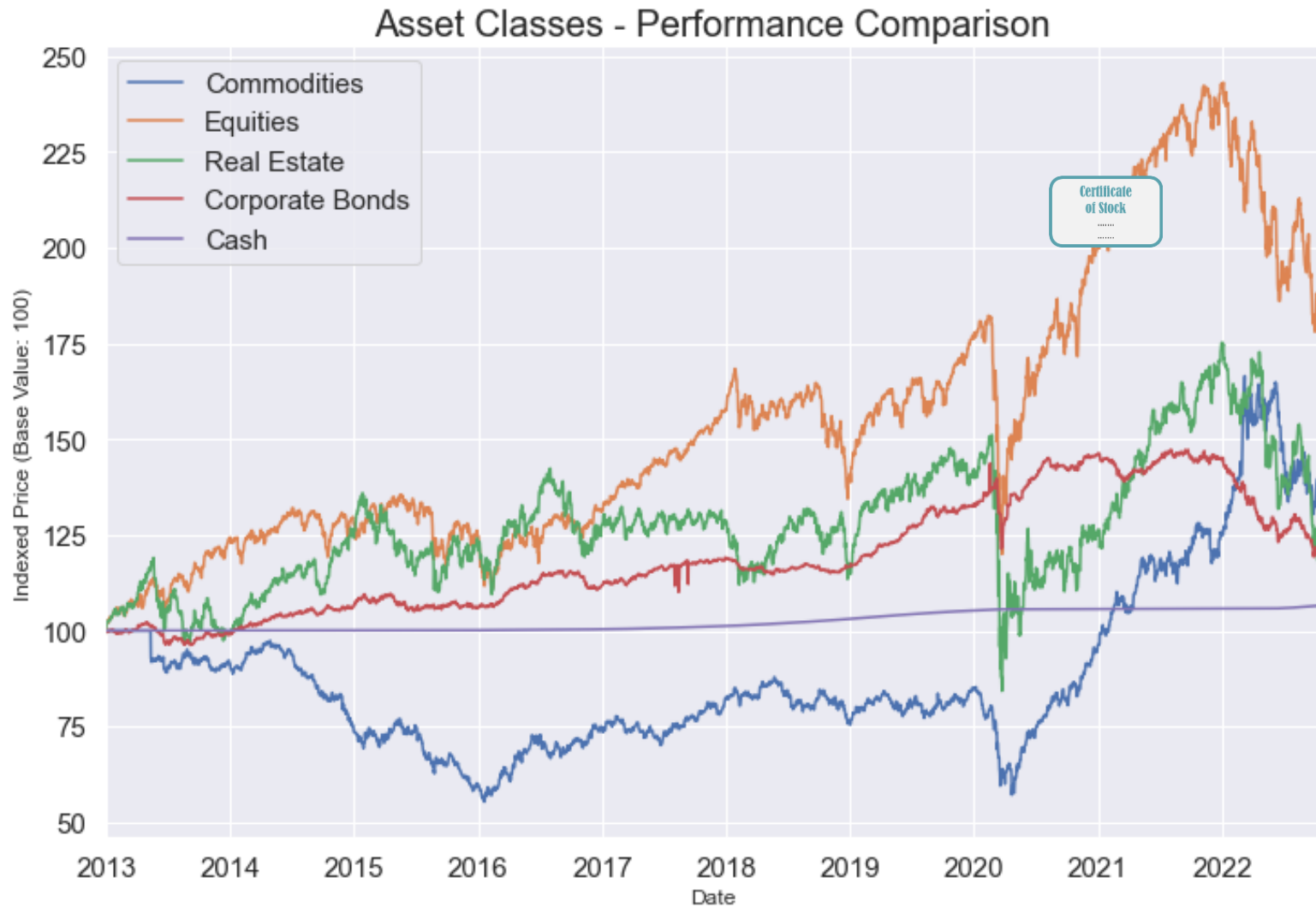- Currencies
- Derivatives (Futures)
- Structured Products
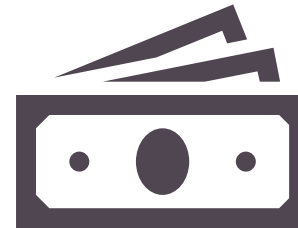
Money Market/ Cash Equivalents
- Cash
- Short-Term Deposits
- Treasury Bills

Asset Classes - Performance Comparison

Correlations among Asset Classes

Asset Classes - Correlations