**Assignment 1 FAC**

**The Big Short (2015):**

This movie talks about 2008 financial crisis and loopholes in the US economy.

**Financial Terms learnt from the movie**

1. **Credit default swaps (cds)**

Credit default swaps is a financial term that allows an investor to swap credit risks with another investor. It acts as insurance policy in the case of a default from borrower.

1. **Short Selling**

Short selling means selling a security which one does not own and returning it later on the assumption that its price will fall. Credit default swaps act as insurance company paying to lender incase creditor default.

1. **Subprime**

Some assets are classified as subprime when their owners fail to provide sufficient verification of assets in loan taking process.

In USA housing crisis , banks started to gave loans at riskier mortgages (subprime) to keep profits coming as mortgage bonds were at peak.

1. **Credit rating**

Credit rating are assigned on basis of past credit history. Highest rating is AAA whereas lowest is BBB.

1. **Collateralized Debt Obligation(CDO)**

CDO is a completely new package of different securities like mortgages , bonds , loans etc and is sold to a investor by a firm. It is quite safe as in case one of the industry suffer the investor doesnt face a huge loss as these are not generally co related.

However , during the 2008 crisis companies misrepresented these as safe whereas they were linked to subprime loans hence linked to heavy loss when defaults occured.

1. **ISDA Agreement**

As explained in the film , it is an agreement that lets an investor to have a big hand on high level trades as compared to other investors. Generally investors having invested a huge amount in any company gets this opportunity.

Hence the movie teaches to self research before investing in any particular security. The movie shows people who have intensively researched in the housing market and believe in their research opposing to the ground level information available to investors.

**MEME FROM MOVIE**

