<u>Understanding the Financial Crisis through The Big Short</u>

The movie revolves around the Financial Crisis of 2008 that shook the global economy, leaving millions of people homeless and jobless.This movie unravels this complex and devastating event through the stories of few visionaries who predicted the collapse and profited from it.

The key characters involve-
1)Michael Burry
2)Mark Baum
3)Jared Vennett
4)Jamie Shipley
5)Charlie Geller

I came to know about a lot of new financial terms and concepts.Some of them are-
1)**Liquidity**- Liquidity refers to how easily an asset can be converted into cash without losing value. In the movie, during the crisis, financial markets froze, and institutions faced liquidity shortages.

2)**Collatera**l- Collateral is an asset pledged as security for a loan. In the housing market, the house itself is the collateral. When borrowers default, lenders seize the property.

3)**Housing Bubble**- It basically occurs when the home prices rise rapidly due to high demand. When the bubble bursts, the prices fall sharply which in turn leads to various economic problems.

4)**Subprime Mortgage**- It is basically a home loan given to borrowers with poor and unstable credit histories. These loans offer higher interest rates and risky terms.

5)**Mortgage-Backed Securities (MBS)**- These are like bundles of home loans.

6)**Collateralized Debt Obligations (CDOs)**- These are like super bundles.

7)**Credit Default Swaps (CDS)**- It is like an insurance for investments.If someone buys an MBS or CDO and it fails the CDS pays them back. However, in The Big Short, some people used CDS to bet that the housing market would collapse and made huge profits.

8)**AAA Rating**- It is the highest safety rating given to financial products by credit rating agencies. It indicates that the product has a low risk of default. However, in the movie, AAA ratings were frequently given to risky securities, contributing to the crisis.

Other terms which i heard of in the movie include
1) Shorting.
2) Securitization.
3) Synthetic CDO.
4) Adjustable-Rate Mortgage (ARM).

Learnings from The Big Short-

The Big Short teaches us important lessons about financial risk, greed, and accountability. Understanding financial risk is key because many investors ignored or underestimated the dangers of the housing market, leading to huge losses. Unchecked greed also played a big role, as banks and investors focused on making money rather than being careful with their investments. The film also shows why accountability is so important. When there is no proper oversight, people take advantage of the system, causing harm to many. The movie reminds us that without responsibility and honesty, the financial system can fail, affecting everyone.

I really enjoyed watching the movie, and it helped me learn new things that sparked my interest in reading and discovering more about finance.