Financial Markets

سوق المال (البيان الائتماني)

سوق النقد (سوق الإقراض قصير الأجل)

البنك المركزي

البنوك التجارية

سوق رأس المال (سوق الإقراض طويل الأجل)

مؤسسات مصرفيه

- البنوك المتخصصة
- بنوك الأعمال
- بنوك الاستثمار

مؤسسات غير مصرفيه

- شركات التأمين
- هيئة التأمينات والمعاشات
- بيوت الخصم والسمسرة
- شركات الصرافة
- صندوق توفير البريد

سوق الأوراق المالية

سوق أوليه

الشركة عند الإصدار (سوق الإصدار)

سوق ثانويه

سوق التداول (البورصة)

Financial Market (Credit Structure)

Stock Market

Primary Market

-Market Release.

-(The company Upon Issuance).

Secondary Market

- Trading Markets.

Capital Market (Long Term Lending Market)

Banking Institutions

1.Specialized Banks.

2.Business banks.

3.Investment Banks.

Non-Banking Institutions

1.Insurance Companies.

2.Insurance and Pensions Authority.

3.Mail Saving Box.

4.Exchange Companies.

5. Discount Houses.

Money Market (Short Term Lending Market)

Central Bank

Commercial Banks

Banking Structure

Banking Structure Include:

- **Money Market**
  - Central Bank
  - Commercial Banks
- **Banking Institutions**
  - Specialized Banks
  - Business Banks
  - Investment Banks

The Conclusion is:

The Bank Structure is a Part of Credit Structure.

- What is financial markets?
- Structure of financial markets.
- Functions of financial markets.
- Definition of stock exchange.
- The world's largest stock exchanges.
- The importance of the stock market.
- Stock exchange parties.
- How the stock market works?
- How is trading in the stock exchange?
- Investing in stocks versus trading stocks in the form of CFDs.

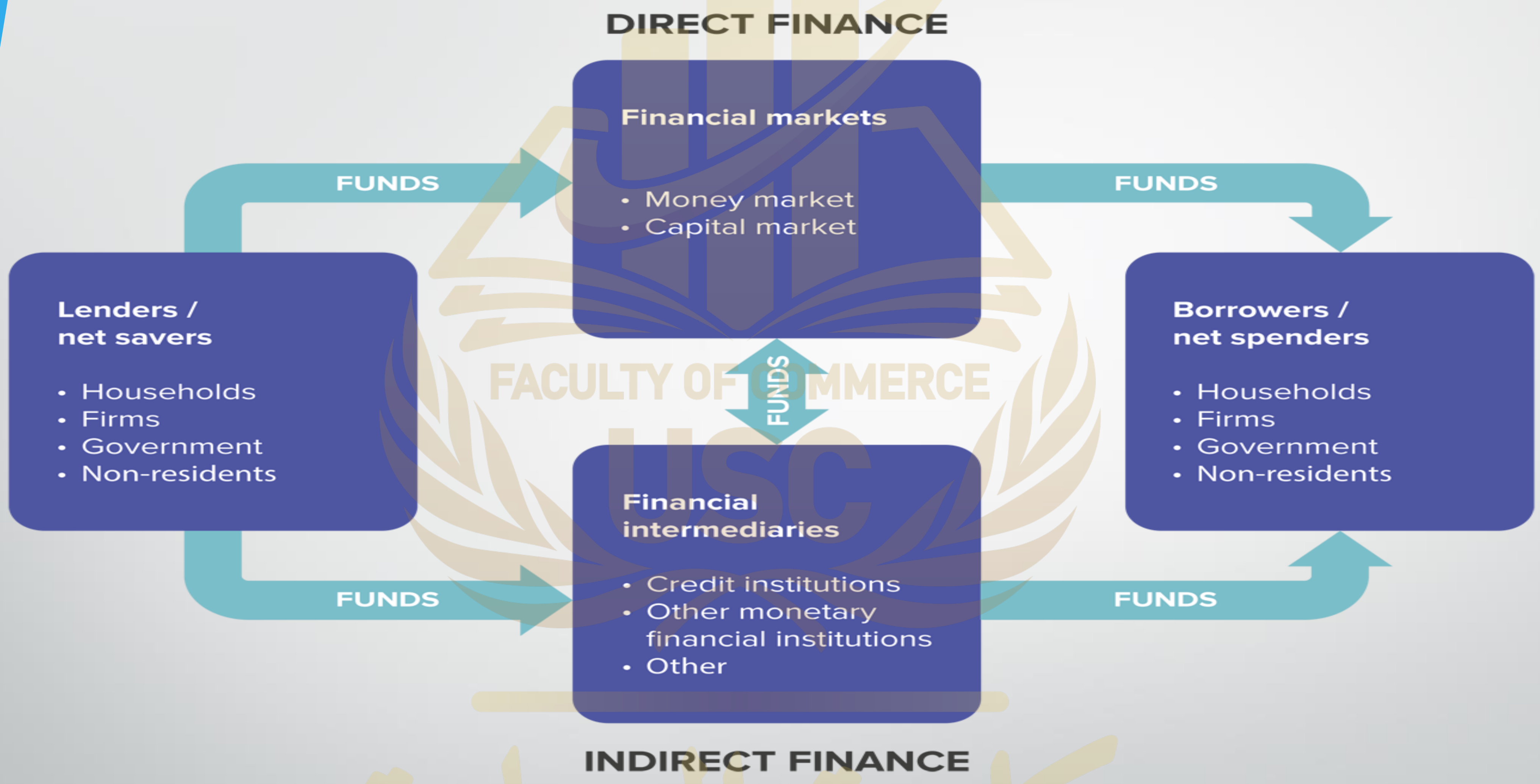
What is financial markets?

- Financial market perform the essential function of channeling funds from economic players that have saved surplus funds to those that have shortage of funds.
- There are individuals or organizations with excess amount of funds, and others with a lack of funds they need it to consume or to invest.
- The first group is commonly referred to as lender, the second group is commonly referred to as the borrowers of funds.

There are two different forms of exchange in financial markets

1. Direct finance: in which lenders and borrowers meet directly to exchange securities (stock, bonds, foreign exchange).

2. Indirect finance: borrowers and lenders never meet directly, but lenders provide funds to a financial intermediary such as a bank and those intermediaries independently pass these funds on to borrowers.



Financial system

Structure of financial markets

Financial markets can be categorized as follows:

1. Debt vs Equity markets.
2. Primary vs Secondary markets.
3. Exchange vs over the counter markets.
4. Money vs Capital markets.

Debt vs Equity markets.

Debt markets:

Investments in debt securities typically involve less risk than equity investments and offer a lower potential return on investment. Debt investments by nature fluctuate less in price than stocks. Even if a company is liquidated, bondholders are the first to be paid.

Bonds are the most common form of debt investment. These are issued by corporations or by the government to raise capital for their operations and generally carry a fixed interest rate .

Equity markets:

Equity, or stock, represents a share of ownership of a company. The owner of an equity stake may profit from dividends . Dividends are the percentage of company profits returned to shareholders. The equity holder may also profit from the sale of the stock if the market price should increase in the marketplace.

The equity market is volatile by nature. Shares of equity can experience substantial price swings, sometimes having little to do with the stability and good name of the corporation that issued them.

Primary vs Secondary markets.

primary market :

The primary market is where securities are created. It's in this market that firms sell new stocks and bonds to the public for the first time. An initial public offering, or IPO, is an example of a primary market. These trades provide an opportunity for investors to buy securities from the bank that did the initial underwriting for a particular stock. An IPO occurs when a private company issues stock to the public for the first time.
the important thing to understand about the primary market is that securities are purchased directly from an issuer.

Secondary market :

in the secondary market, investors trade previously issued securities without the issuing companies involvement. For example, if you go to buy Amazon stock, you are dealing only with another investor who owns shares in Amazon. Amazon is not directly involved with the transaction.

the secondary market is commonly referred to as the "stock market." This includes the New York Stock Exchange (NYSE), The defining characteristic of the secondary market is that investors trade among themselves.

Exchange vs over the counter markets

Trading on an exchange:

Exchanges, whether stock markets or derivatives exchanges, started as physical places where trading took place. Some of the best known include the New York Stock Exchange (NYSE). exchanges are more than physical locations. They set the institutional rules that govern trading and information flows about that trading.

Trading over the counter

Unlike exchanges, OTC markets have never been a “place.” They are less formal, although often well-organized, networks of trading relationships centered around one or more dealers. Dealers act as market makers by quoting prices at which they will sell (ask or offer) or buy (bid) to other dealers and to their clients

Money vs Capital markets.

The Money Market

The money market is a good place for individuals, banks, other companies, and governments to park cash for a short period of time, usually one year or less. It exists so that businesses and governments that need cash to operate can get it quickly at a reasonable cost, and so that businesses that have more cash than they need can put it to use.

The Capital Market

The capital market is where stocks and bonds are traded. Its movements from hour to hour are constantly monitored and analyzed for clues as to the health of the economy at large, the status of every industry in it, and the consensus for the short-term future.

Functions of financial markets

1. **Price Determination**:

The financial market performs various functions for price discovery of different financial instruments traded among the buyers and the sellers on the platform.
The price depends upon the demand and supply factors (market forces) which thereby assists in deciding the prices of various financial securities as well.

2. **Liquidity in financial markets**:

Financial markets provide a platform for security to be bought and sold easily, hence (cash) liquidity for tradable assets increases.

3. Risk sharing:

The financial market performs the function of risk sharing as the person who is making the investments is different from the person who is selling their assets/fund.
Here, the risk is transferred from the person who is selling the investments to those who are buying the assets.
Further, it can be liquidated from the buyer to the next buyer of the financial security. Hence, risk sharing is swiftly completed between parties.

4. Reduction in transaction costs and provision of the information:

Investors and companies do not have to spend much on resources for getting any kind of information as it is readily available in financial markets.

Definition of stock exchange:

The stock market, though it is referred to as the stock market, is not a market in the common or understood sense of the word market, as the stock market differs from the market in three things:

The first: The deals that take place in the first place are concluded on things that already exist, while in the stock exchange they are dealing with on the model or the sample.

The Second: Dealing in the market takes place in all commodities, but in the stock exchange, the commodity must have the ability to save, and its prices are subject to change in a certain period of time due to the conditions of supply and demand, or weather conditions.

The third: Markets are characterized by the stability of prices in them, as markets do not affect them, unlike stock exchanges, which affect prices due to the large number of deals that are concluded in them. Therefore, the stock market was described as hell.

The most important stock markets:

- Food market (wheat - sugar - corn and other foodstuffs).
- Currency market: (USD-JPY-EUR) and other currencies.
- stock market (stock).
- bond market.
- Raw materials market: (oil - copper –cotton).

The world's largest stock exchanges:

- New York Stock Exchange, based in the United States of America.
- London Stock Exchange based in England.
- The Frankfurt Stock Exchange is based in Germany.
- The Tokyo Stock Exchange is based in Japan.
- Sydney Stock Exchange based in Australia.
- Hong Kong Stock Exchange, headquartered in Hong Kong.

The importance of the stock market:

Why is the Stock Exchange so important for the state to supervise it by itself and not leave it to individuals and set laws and regulations for it? We will remotely highlight the most important functions of the Stock Exchange, which are as follows:

1. **Forum for financing and investment**

It is the place where those looking for financing, such as companies and organizations, and those who wish to invest from among savers meet, and therefore it is like a lending process that benefits both parties, and it is a process that is protected by special protection because of the special laws that regulate it.

2. An indicator of the country's economy

It is important to know the conditions of companies, especially the large companies in the country, because of their importance to the economy, as most of the large companies in any country in the world offer their shares in the financial market, and based on the indicators of the movement of their shares indicates their financial position, and with a comprehensive view of the movement of shares for all companies gives an indicator of the state of the economy.

3. A way to increase wealth

As we said previously, the stock market is a market for commercial exchange, and therefore it is an area available for savers to work and invest their money. We do not give here a rosy picture about investing in the stock market, but it often leads to increased wealth and improved income.

4. Provide jobs

If you enter any stock exchange in the world, you will be surprised by the size of its workers, and the size of the workers in brokerage firms, and that hides a huge number of workers and you do not see them, and this is something that helps to provide jobs and reduce unemployment.

5. A way to finance companies without the need to borrow from banks with interest

The process is quite simple here. When companies need financing, they put up a subscription for their shares. According to the subscription, the company sells the shares of its company in exchange for cash. Ownership for the benefit of others.

Stock exchange parties:

1. The seller:

He is the owner of the commodity offered for sale (from the definition of the stock exchange, we find that the offered commodities are raw materials or securities).

2. The buyer:

It is the investor who wants to invest his money in trading operations in the stock market.

3. Stock market:

It is the market or the place in which commercial exchanges of buying and selling take place and it is subject to the supervision of the state.

4. Brokerage firms

They are the companies licensed to carry out commercial operations within the market, so it is not possible for natural persons or individuals or the rulers to carry out this process by themselves, but rather these companies must be delegated to carry out these operations and the types of companies are (brokerage companies - portfolio management - investment companies).

How the stock market works:

The stock market is an organized market for the exchange of securities such as bonds or shares within a legal framework so that the rights of individuals and their capital are not lost. Purchasing shares in the stock exchange results in a return or interest, whether for stocks or bonds, and the difference between them comes as follows:

•The return or benefit of shares is divided into two parts. The first part is the distribution of profits. When the company makes profits, each shareholder gets profits by the value of the shares he owns in the company. The second part relates to the high price of the company's shares to increase the demand for them and the possibility of selling them for more than their nominal value.

•The return or interest of the bonds is a specific interest rate like a regular loan, so the specified interest must be paid for it, and at the end of the loan period, the individual gets the principal amount that was paid to obtain these bonds.

How is trading in the stock exchange:

There are two ways to start trading stocks: investing and trading (contracts for difference) "CFDs". It is important for a trader to understand how each of the factors will affect them before starting to trade because of the financial implications of each methodology on the profits and losses made.

At First: Investing in stocks:

objective of making a profit in the long run. This investment is usually held for a number of years, in some cases decades, before realizing a profit. When you own shares, you also become entitled to a dividend (the amount of dividends that the company distributes to shareholders). However, this is not an income stream that shareholders can count on, as the decision to distribute profits is an exclusive matter taken by the company's management.

These investors are less sensitive to short-term fluctuations, because they usually focus on the fundamentals and the long-term prospects for making a profit. Buying stocks actually requires dealing with an exchange and usually involves fees and commissions. Another point to note is the fact that profits from stock trading are taxable.

The second: Stock CFD trading:

On the other hand, CFD trading is a more popular type of trading and involves buying and selling with the aim of profiting from short-term price fluctuations. one of the main differences between stock trading and this type of investment is that with stock CFDs, you are not actually buying real shares. What you do instead is speculate on the fall or rise in share prices.

Below we take a look at the main reasons why traders choose stock CFDs over owning the stock.

1. Carry out buying and selling operations:

Since CFD trading does not involve buying the actual stock, it allows traders to take advantage of lower prices for shares they never owned. The ability to short stocks is the reason CFDs are such a flexible form of trading.

2. Financial leverage

Another important consideration is the capital needed to get started. When investing in stocks, you have to pay the total amount of the shares you want to buy. This is a discouraging factor for many aspiring traders, as it requires a large initial capital. Let's say you trust the Facebook share price and want to open a position for £200. In the event that you benefit from 10:1 leverage, you will be able to open a position of 2,000 GBP.

3. Commission

Buying shares on the stock exchange usually involves a commission fee for the service provided. Although some online brokers charge commissions for CFD trading, it is worth noting that not all brokers do. Due diligence on brokerage fees before opening an account is imperative.

4. Taxes

Profits earned from investing in shares are treated as income and subject to tax according to jurisdictions, as well as stamp duty in the case of UK residents. When it comes to CFDs, though, there is no stamp duty to be paid, as trading does not involve actual ownership of shares.

Investing in stocks versus trading stocks in the form of CFDs

Trading Shares CFDs	Investing in shares
Trade on the price of the underlying market	Own the asset
Speculate on falling prices is possible	You cannot sell a share you have not previously bought
Leverage available	No leverage
Stamp duty fee	Subject to stamp duty
No shareholders rights	Eligible for dividends, if applicable
Commission- free	Fees apply
Suitable for day traders and traders with medium-term trading strategies	Suitable for long term investors


THANK YOU!