



Introduction to Capital Markets

Course Objectives



Introduction: Defining Capital Markets



Sell-Side: Origination and Primary Markets



Sell-Side: Sales & Trading and Secondary Markets



Buy-Side: Traditional Buy-Side



Buy-Side: Hedge Funds

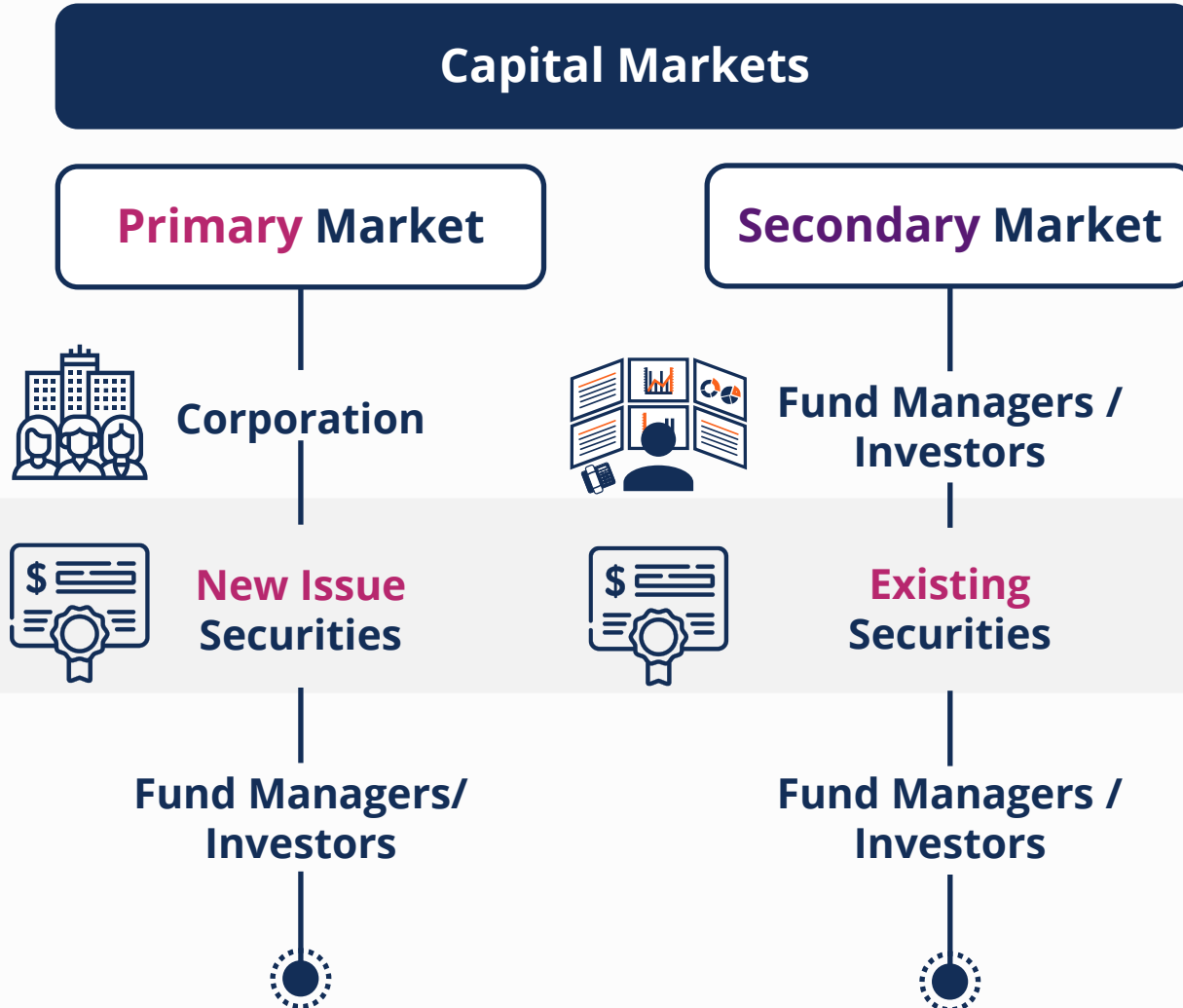


Understanding How the CMSA Serves You



Defining Capital Markets

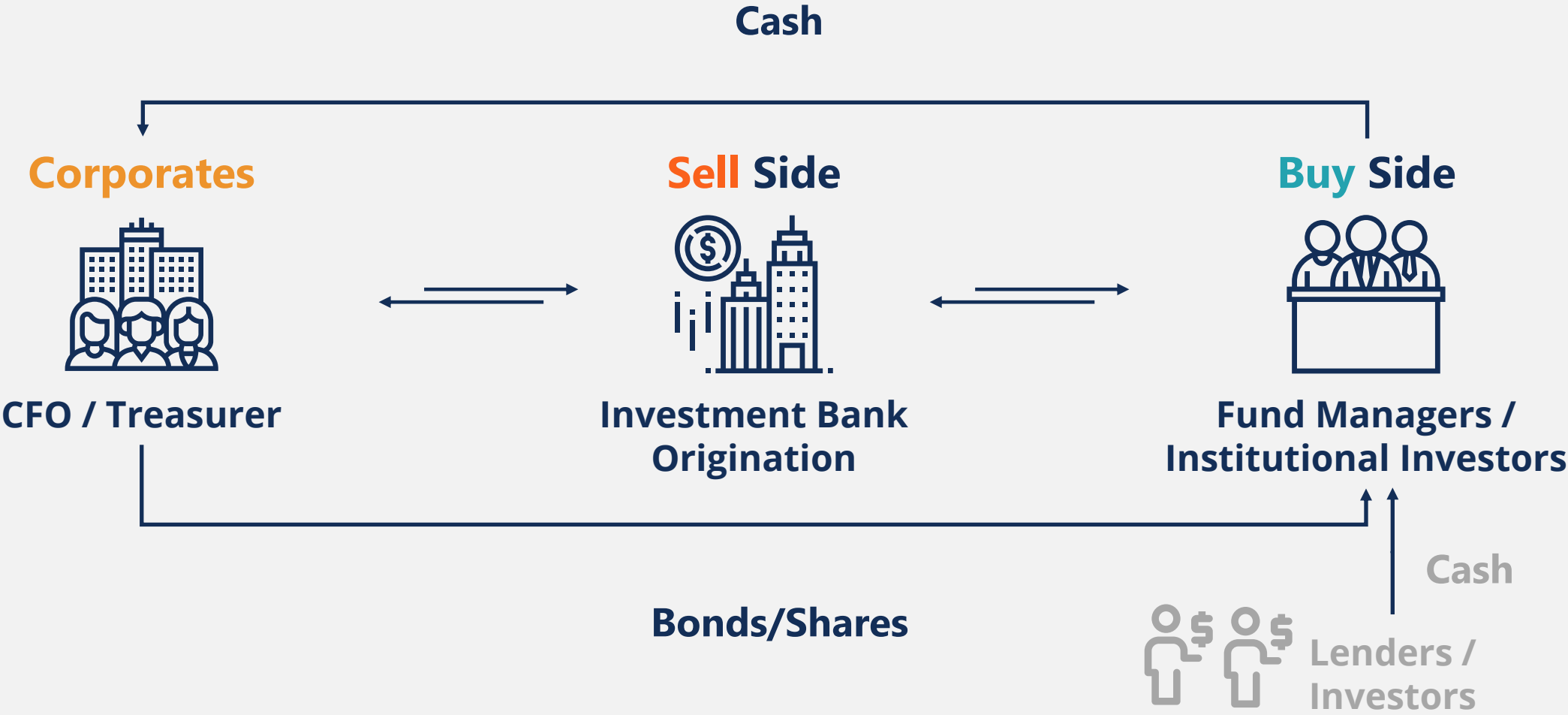
What Are Capital Markets ('CM')



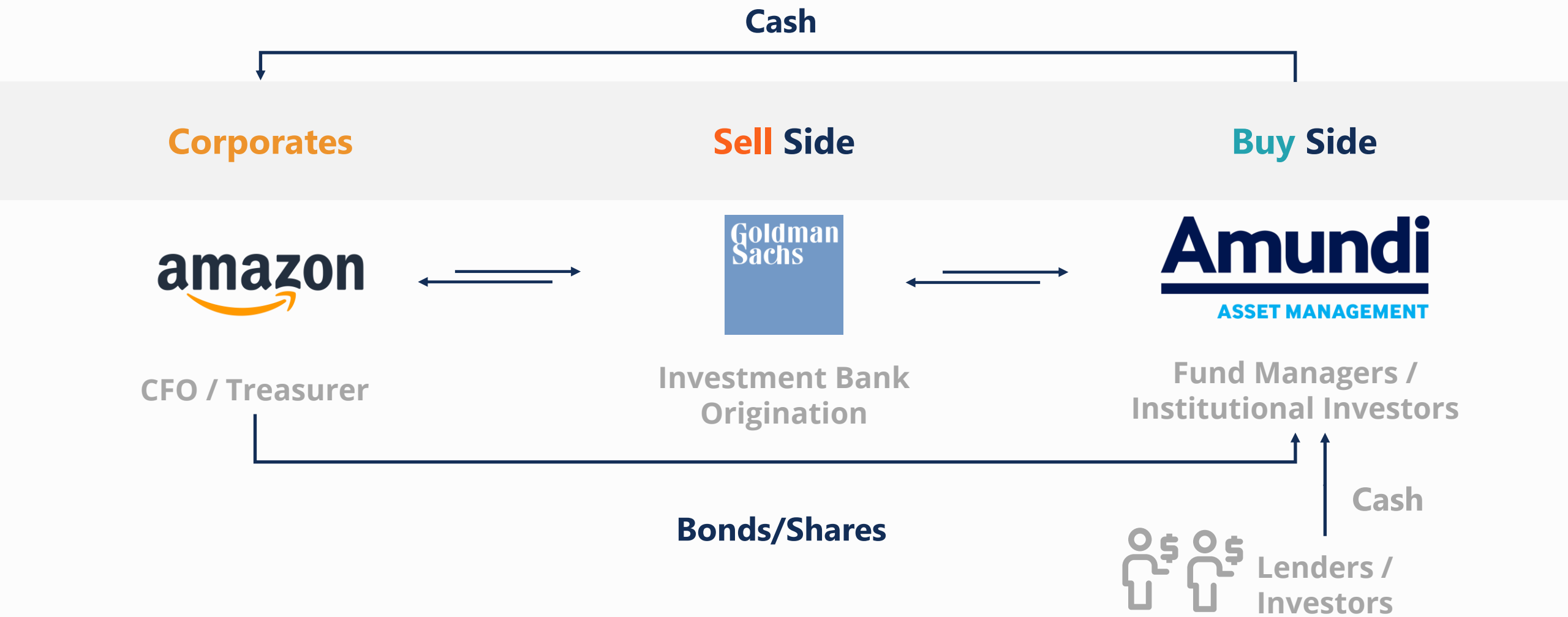
Trading Products

- **Equity Securities**
(e.g., Common Shares)
- **Debt Securities**
(e.g., Bonds)
- **Foreign Exchange**
(e.g., Currencies)
- **Derivatives**
(e.g., Swaps, Futures, Forwards)

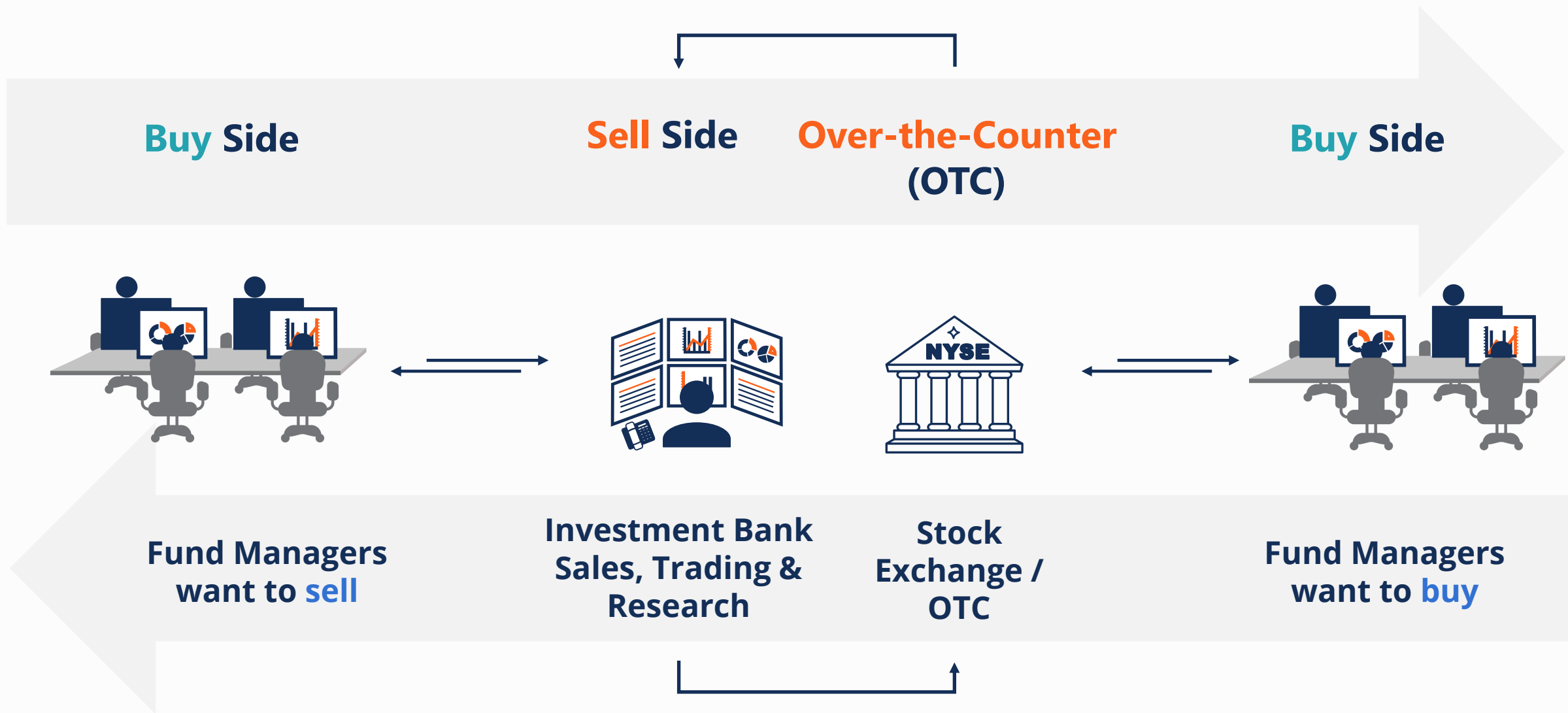
The Primary Market Map



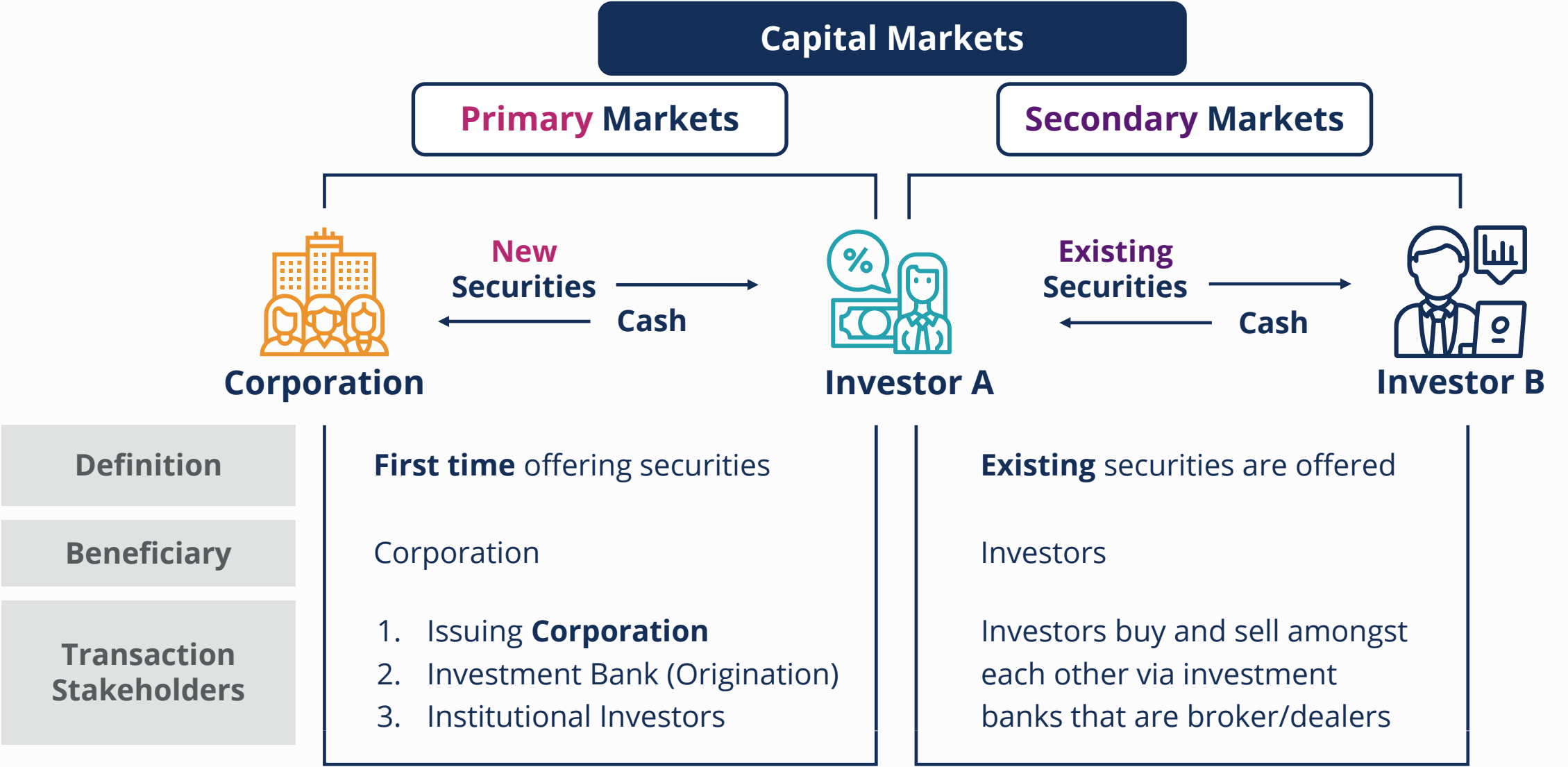
The Primary Market - Example



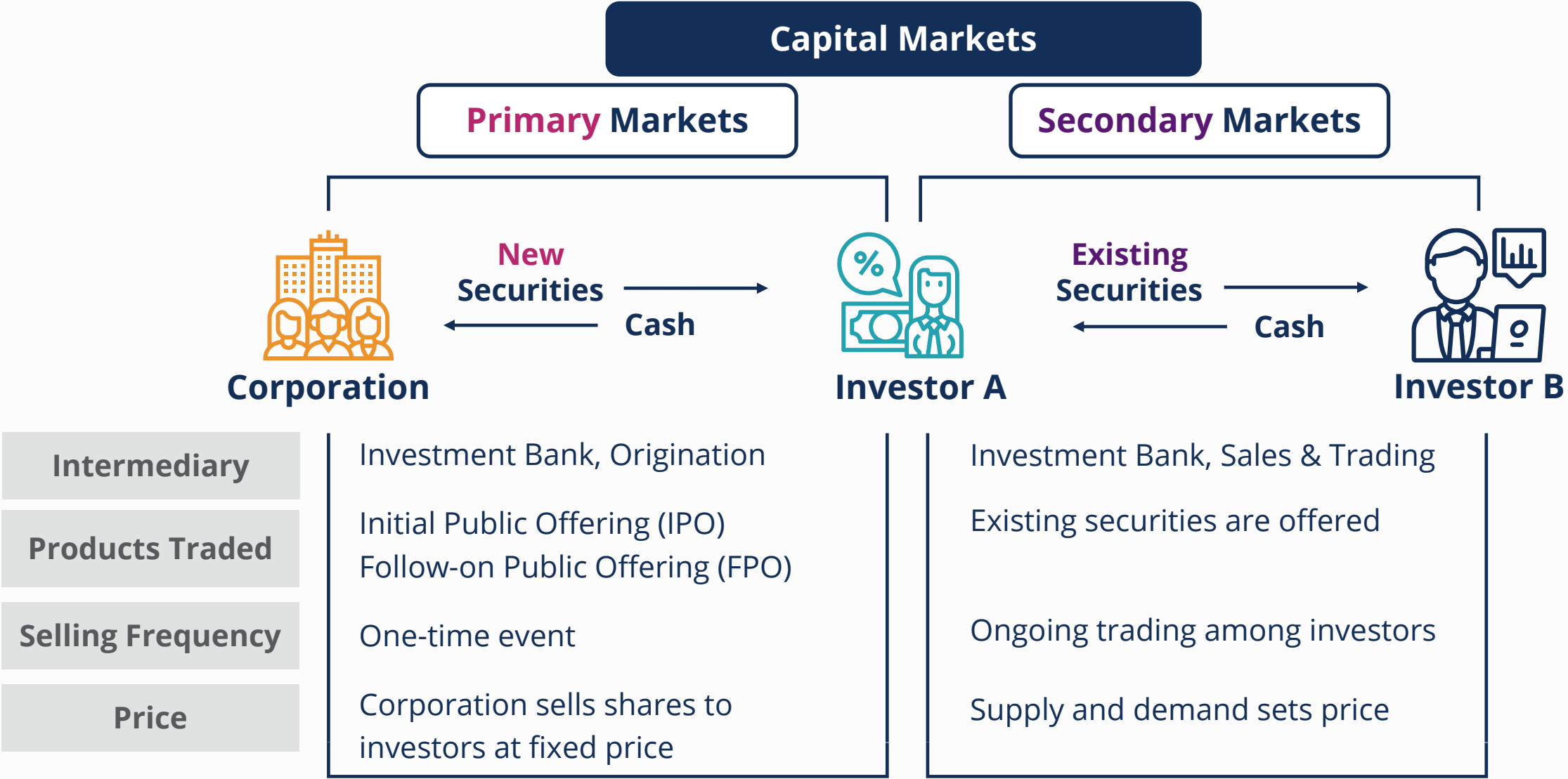
The Secondary Market Map



Primary vs. Secondary Markets



Primary vs. Secondary Markets



Who Are the Participants in Capital Markets

BUY SIDE

Investment
Manager



Hedge Fund



SELL SIDE

Investment Bank



Interactive Exercise



BUY SIDE



SELL SIDE

**Primary
(New Issue)
Market**

**Institutional Investors /
Fund Managers**

Investment
Manager



Hedge Fund



**Secondary
Market**



Origination

DCM

Debt
Capital
Markets

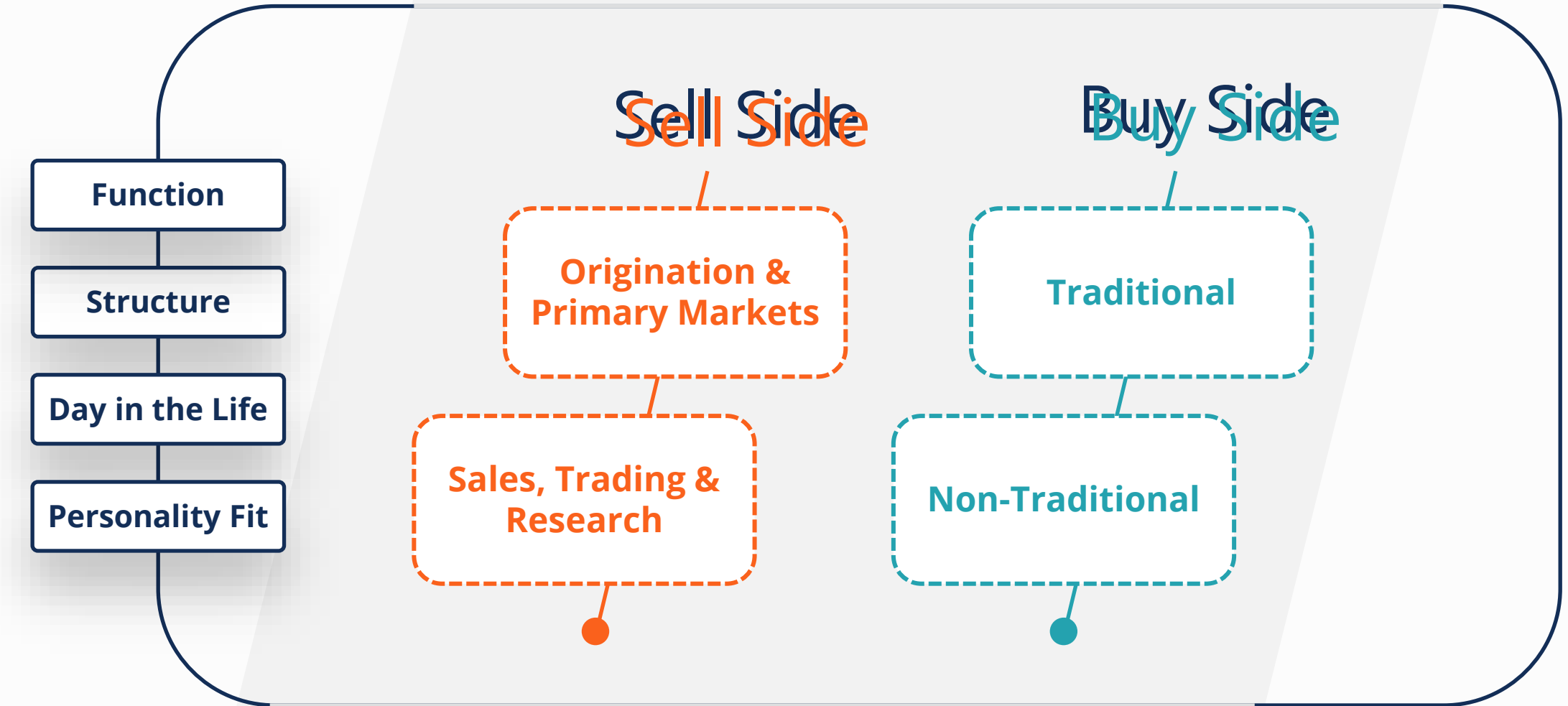
ECM

Equity
Capital
Markets



**Sales, Trading
& Research**

Learning Roadmap



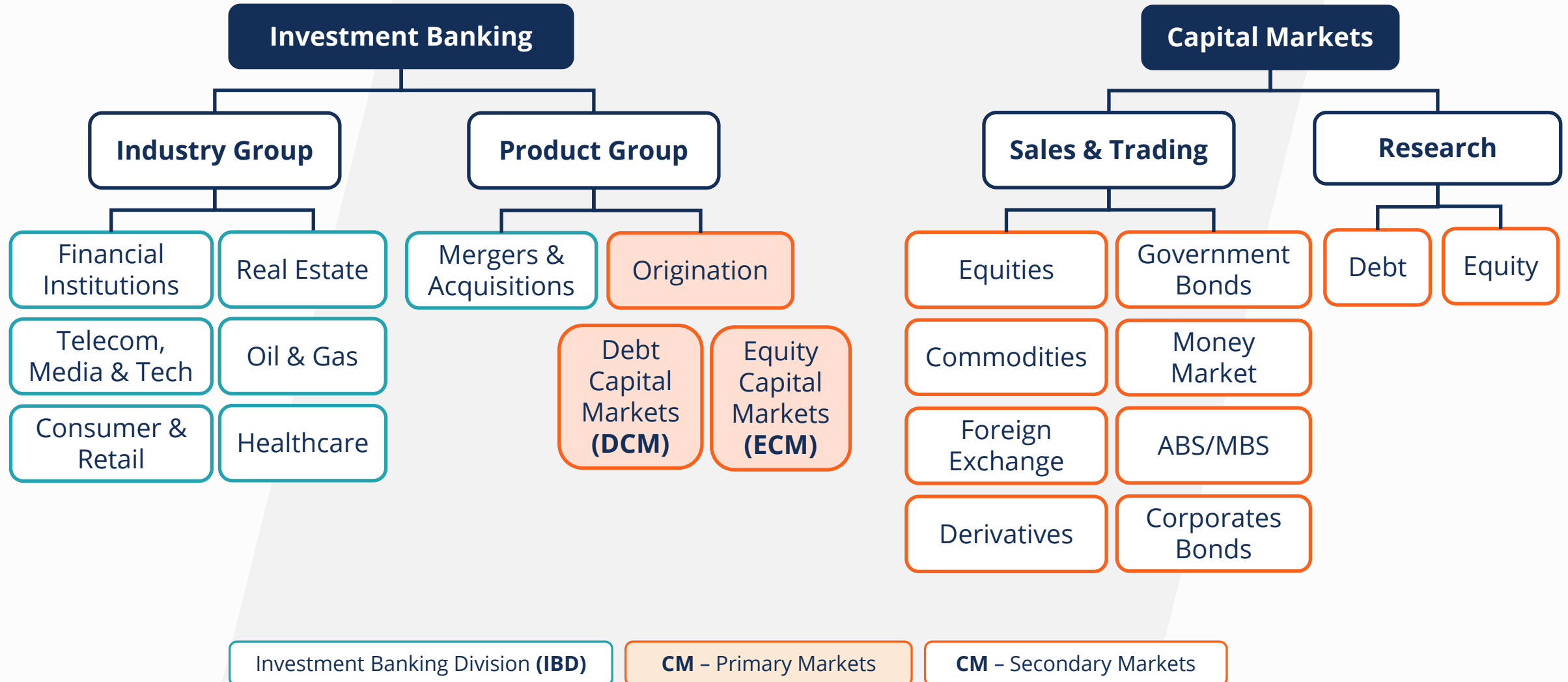
Finding Your Fit in Capital Markets





Sell Side

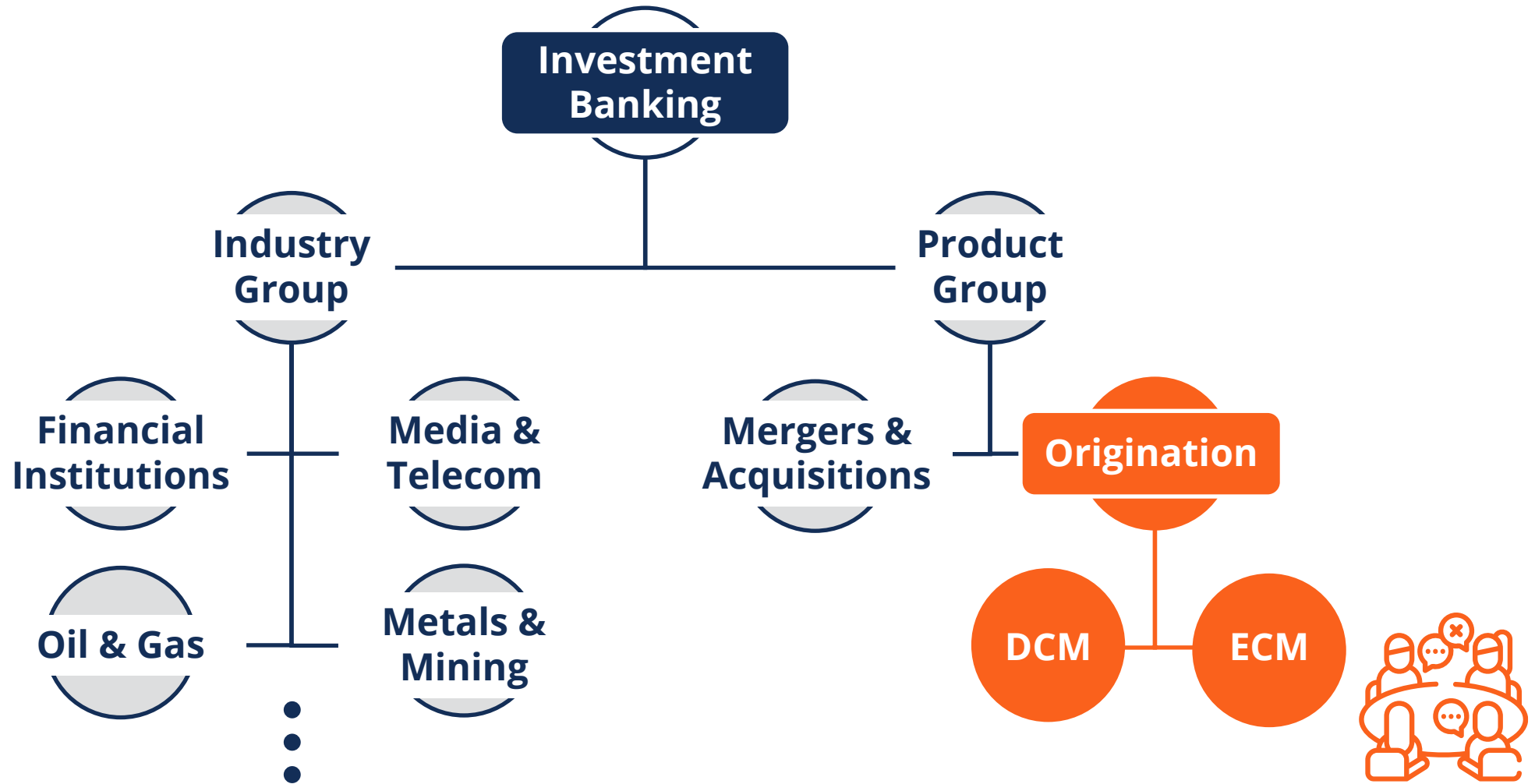
Sell-Side Overview



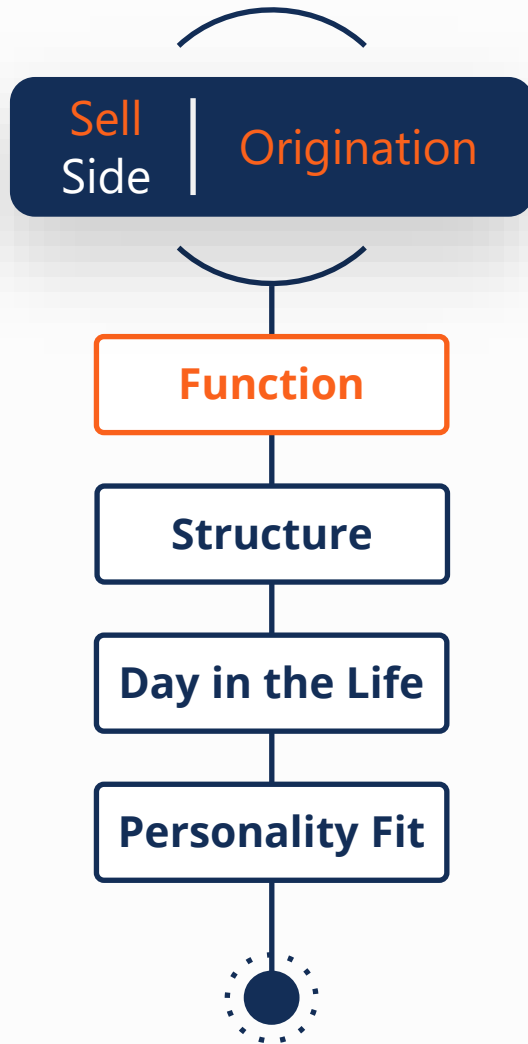


Sell-Side Investment Banking **Origination & Primary Markets**

Sell-Side Investment Banking



Sell-Side Investment Banking: Origination, Primary Markets



Investment Banking Division (IBD)

- **Advisory – deal sourcing** team – win mandates, and are non-market-facing
- This is what people refer to when they say ‘investment banking’

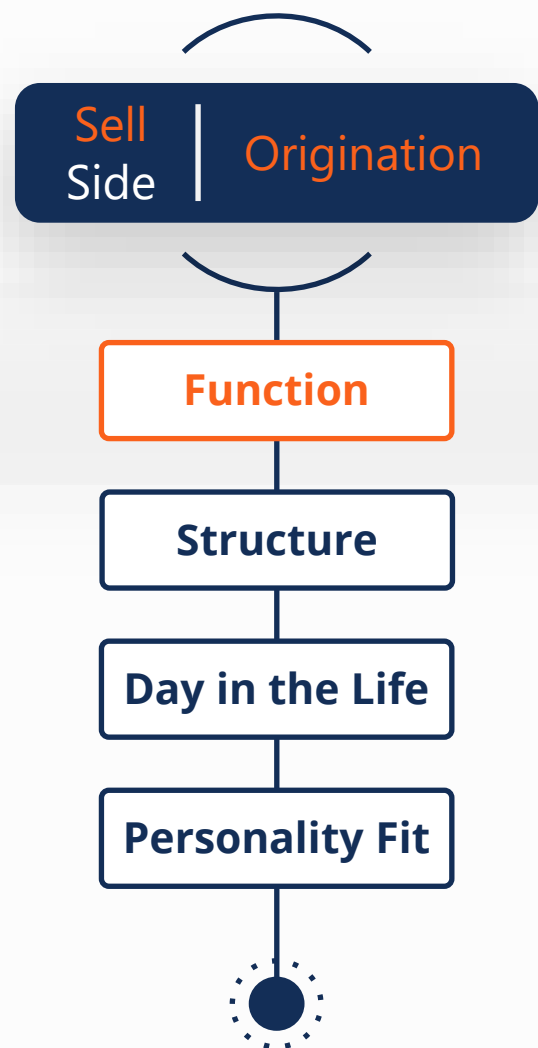


Origination

DCM and ECM

- Origination team **acts as the middleman**
- Origination team **underwrites debt and equity**
- Works closely with IBD peers

Sell-Side Investment Banking: Origination, Primary Markets



WHERE

Primary
Markets



WHAT

Underwrite
Debt & Equity



FINANCIAL INTERMEDIARY

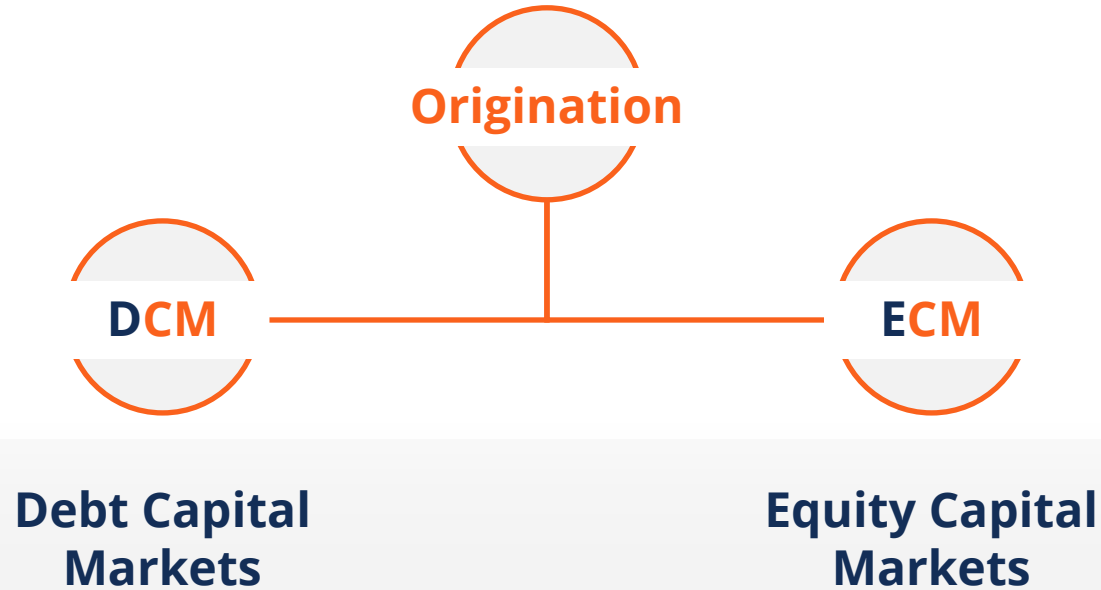
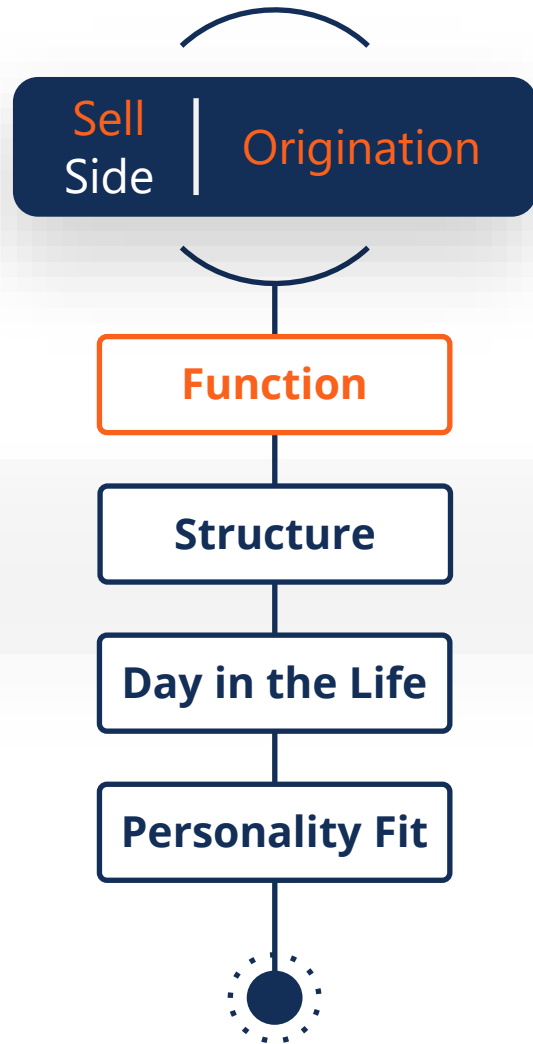
Bridge connection between:

Corporate
clients looking to
raise capital



Global investors
seeking investment
opportunities

Sell-Side Investment Banking: Origination, Primary Markets



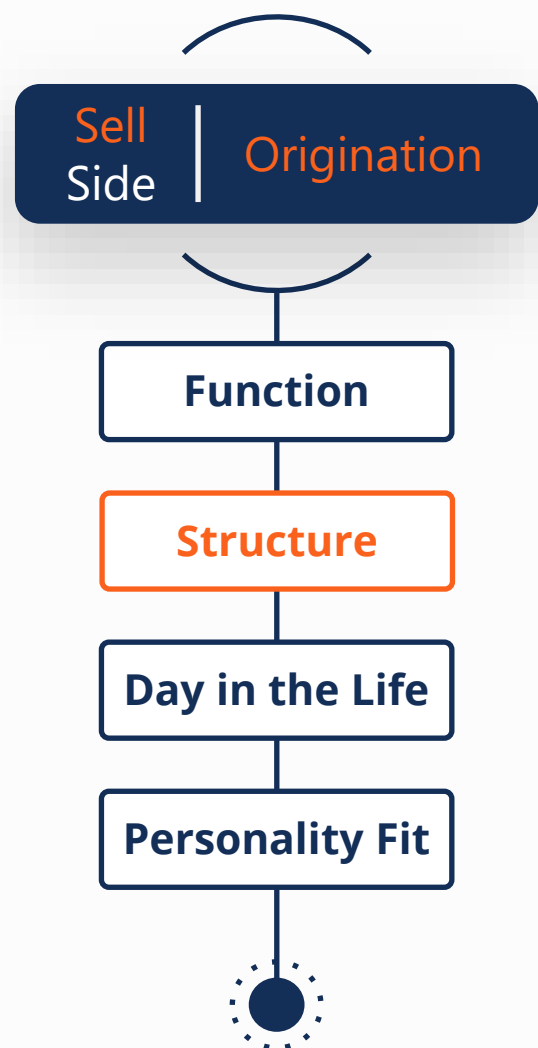
Bond product experts

- Investment-grade bonds
- Short-term as well as long-term funding

Equity product experts

- Common shares
- Preferred shares

A Day in the Life: Full Circle Transaction



External Corporation



Media & Telecom
Chief Financial Officer
(CFO) / Treasurer

Looking for a Bank to lead deal

Corporation: We need to raise \$200M.
Let's look at who has been reaching out
to us the most and contact the Bank we
think will do the best job.

Investment Bank



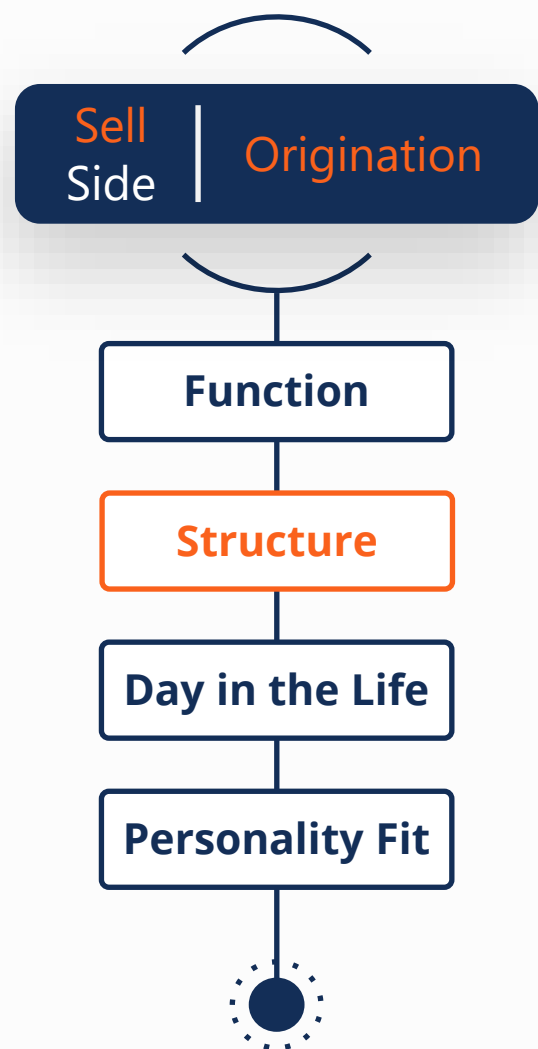
Industry Group (IBD)
Managing Director,
Media & Telecom

Mandated by the Corporation

IBD Team

- Considers options, performs analysis
- Connects with product specialists

A Day in the Life: Full Circle Transaction



Origination (CM)

Managing Director,
DCM / ECM



Sales & Trading (CM)

Managing Director,
Trading Products

Investment Bank

Primary Markets

- **DCM** brings new **bonds** to market
- **ECM** brings new **shares** to market

ETHICS WALL

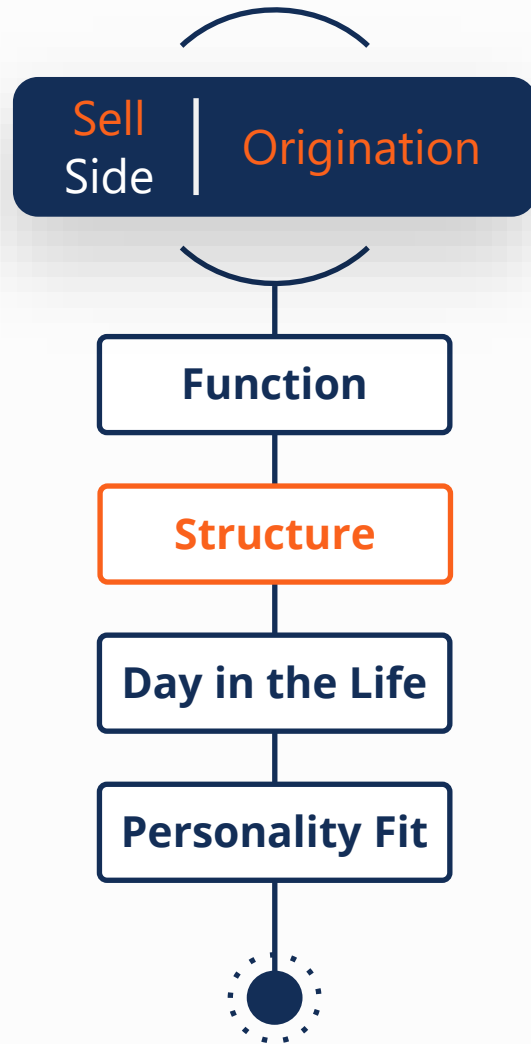


Secondary Markets

- Support secondary trading

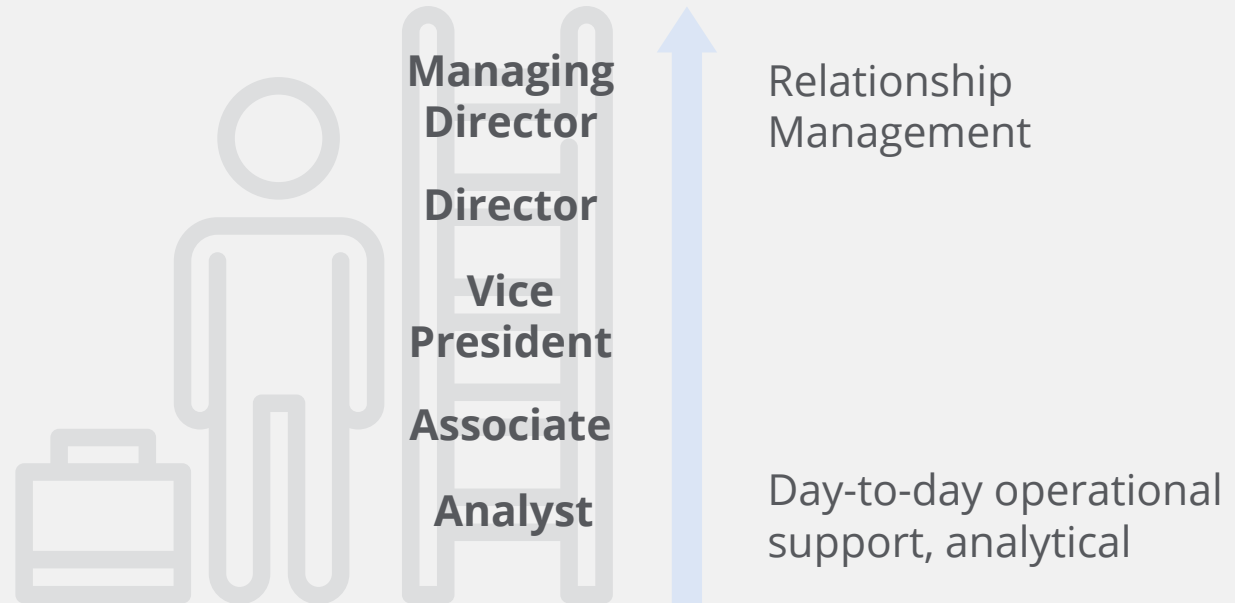


Sell-Side Investment Banking: Origination, Primary Markets

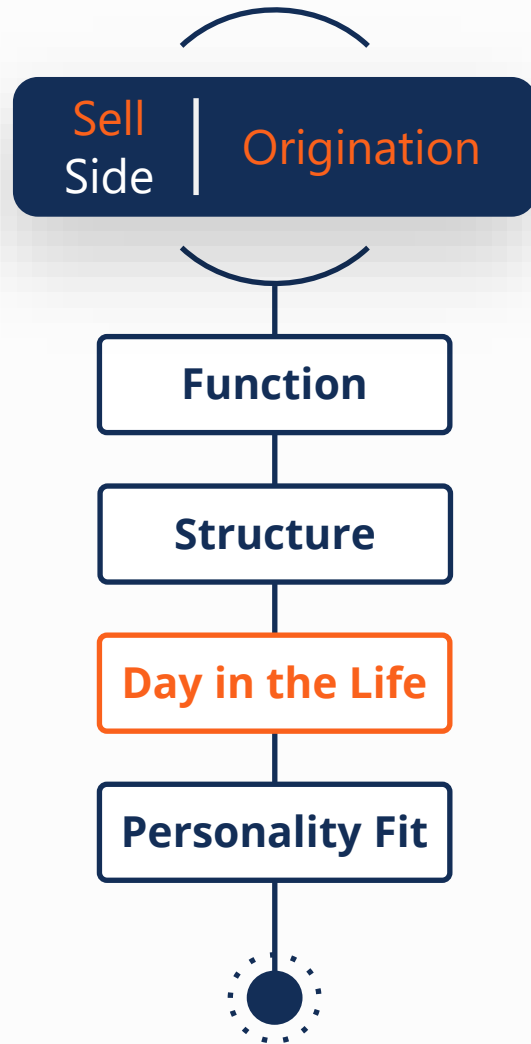


Origination Team Career Path

- DCM and ECM will follow the same holistic career title progression
- A team will be composed generally of the following roles



A Day in the Life: Full Circle Transaction



DCM / ECM | Daily Agenda



7-7:30 AM / 7PM

Early morning start!



Listen in on the Sales, Trading, and Research team's morning call



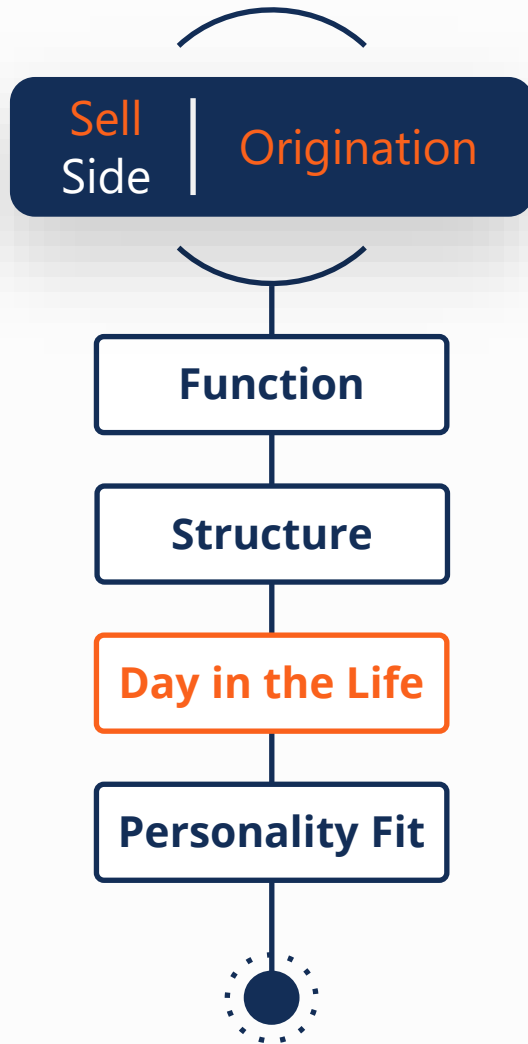
Catch up on the news and any overnight events



Deals start launching when markets open, and typically this is around 9:30AM regional time - so be prepared to be busy if you are a lead or co-lead on deals



A Day in the Life



As an Analyst/Associate you will be expected to support by:



- ☐ Preparing ad-hoc indicative **pricing sheets**
- ☐ Preparing **term sheets** for distribution
- ☐ Preparing **deal summary** documents for the client

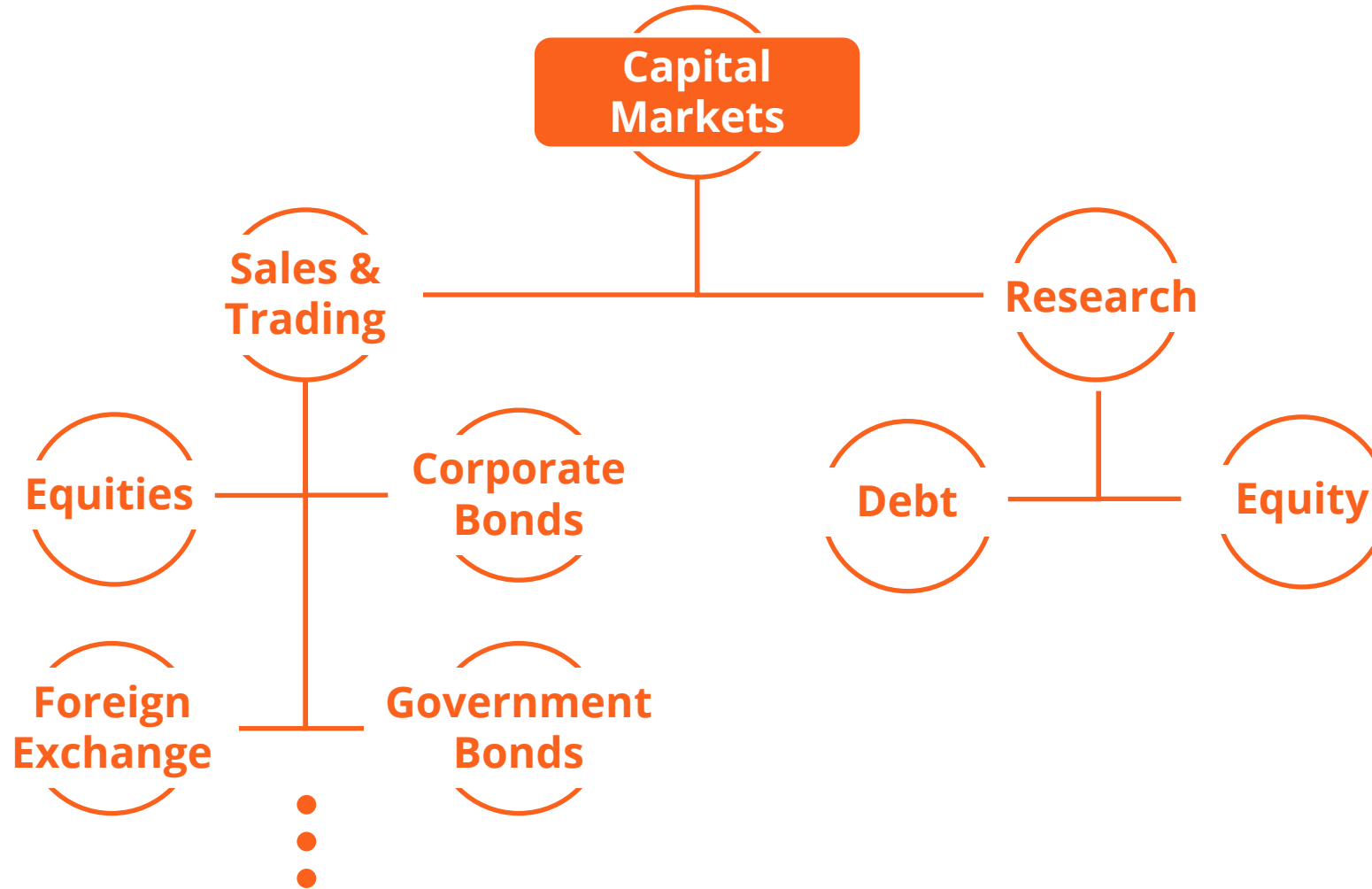


- ☐ Updating debt / equity **market slides**
- ☐ Responding to **requests from industry groups**
- ☐ **Creating case studies** based on recent deals

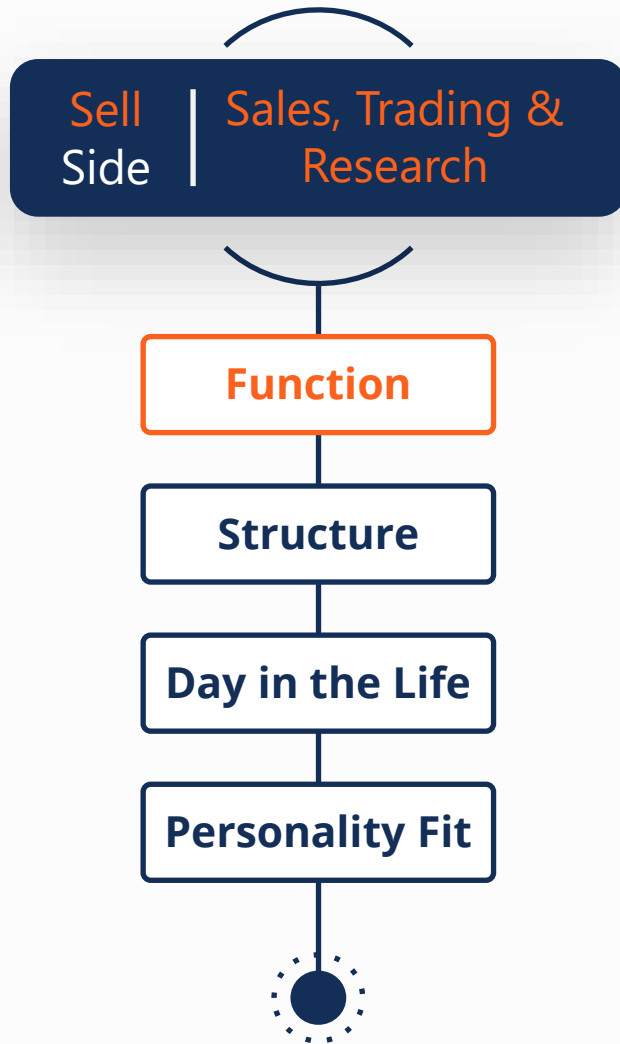


Sell-Side S&T, Research **Secondary Markets**

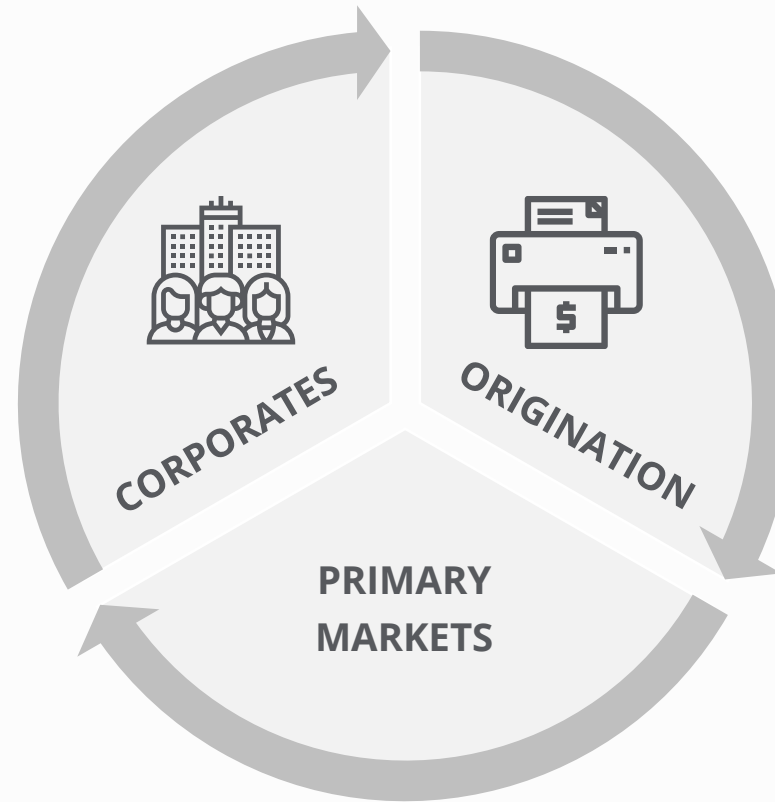
Sell-Side Investment Banking



Sell-Side: Sales, Trading, and Research



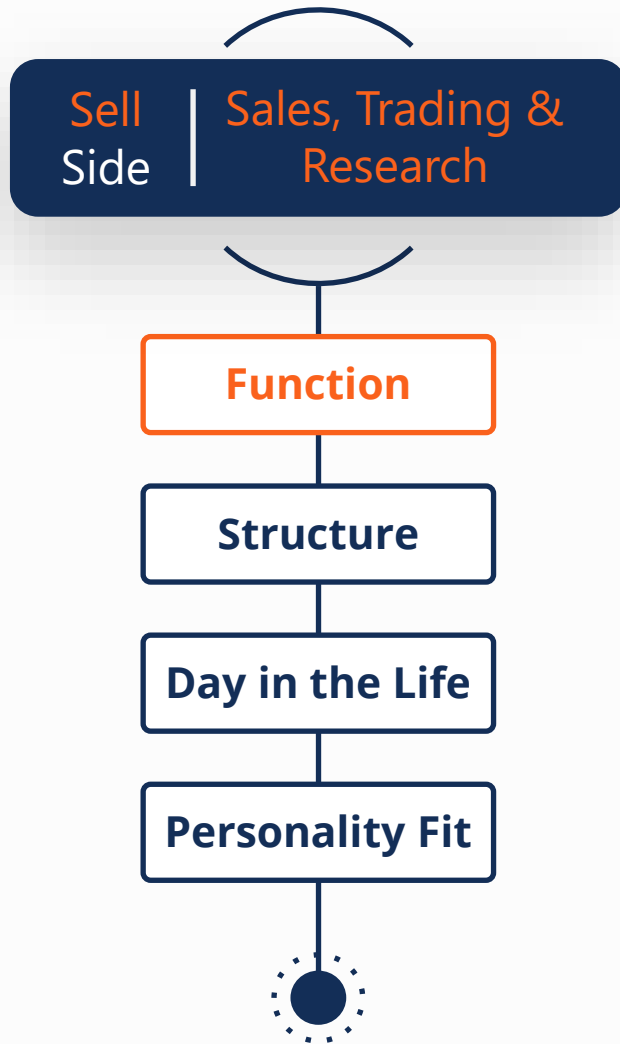
Origination is to
Primary Markets and Corporates...



as **Sales, Trading, and Research** are to
Secondary Markets and the Buy-Side



Sell-Side: Sales, Trading, and Research



SALES



TRADING



RESEARCH

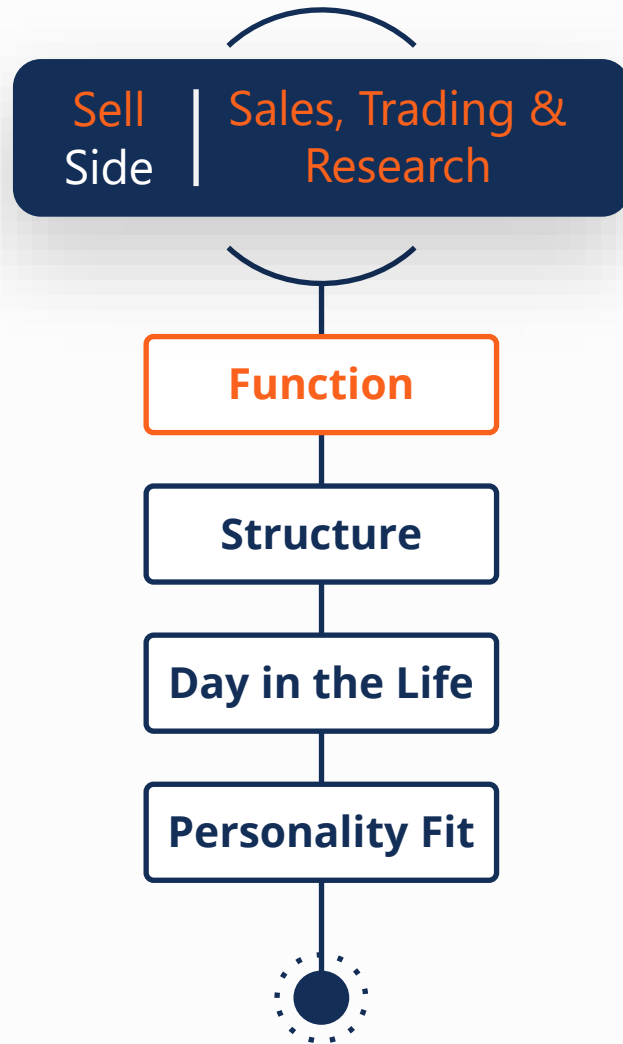


SALES, TRADING, AND RESEARCH PROVIDE VALUE BY



- Providing **market liquidity**
- Granting **access to live market insights** from **real-time trading data**
- Publishing **deep data analysis and insights** on a regular basis

Sell-Side: Sales, Trading, and Research



SALES



- **Client-facing**
- **'Cover'** clients, effectively **owning the relationship with buy-side investors**
- Provide value to clients by relaying live market information from Traders (e.g., market color)

TRADING



- **Market-facing**
- **Market maker** – will always have a bid/offer for all securities
- Provide value to the Bank by developing a **deep and narrow expertise** in one market

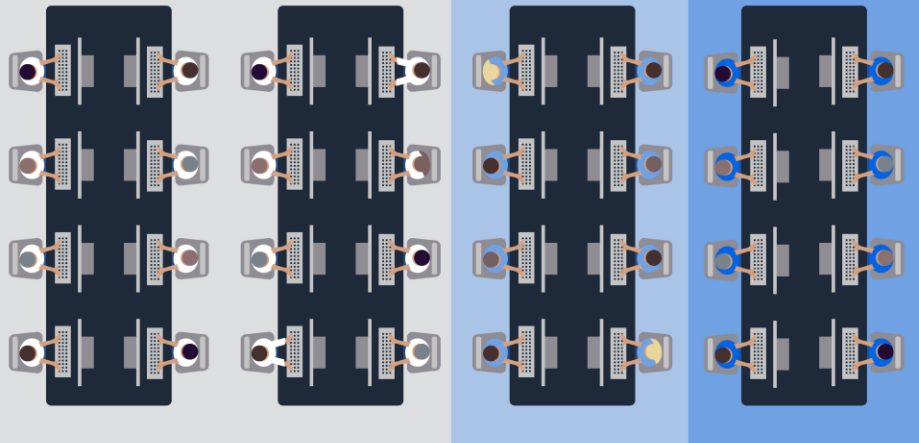
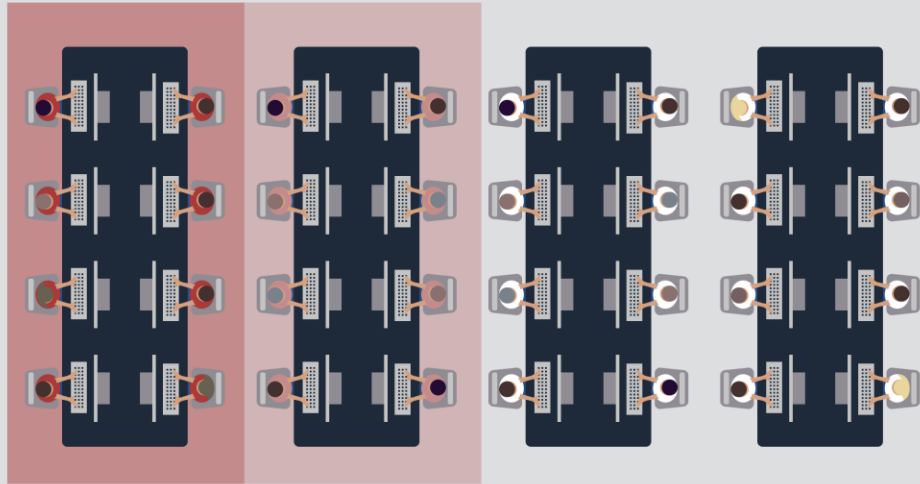
RESEARCH



- **Support Sales and Trading**
- **'Cover'** whole industries and companies, more so than products
- Provide value to clients by publishing **deep analysis and commentary**

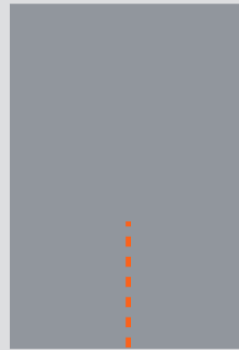
Sell-Side: Sales, Trading, and Research

FX Trading

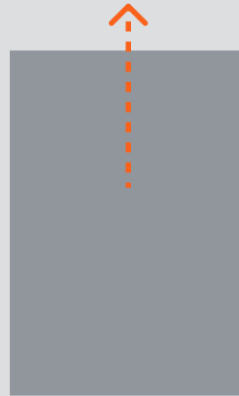


Corporate Bond Trading

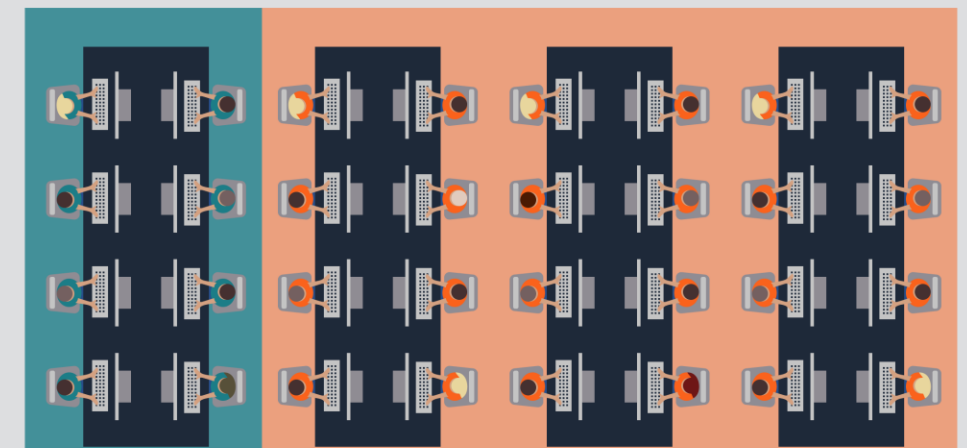
Corporate Bond Sales



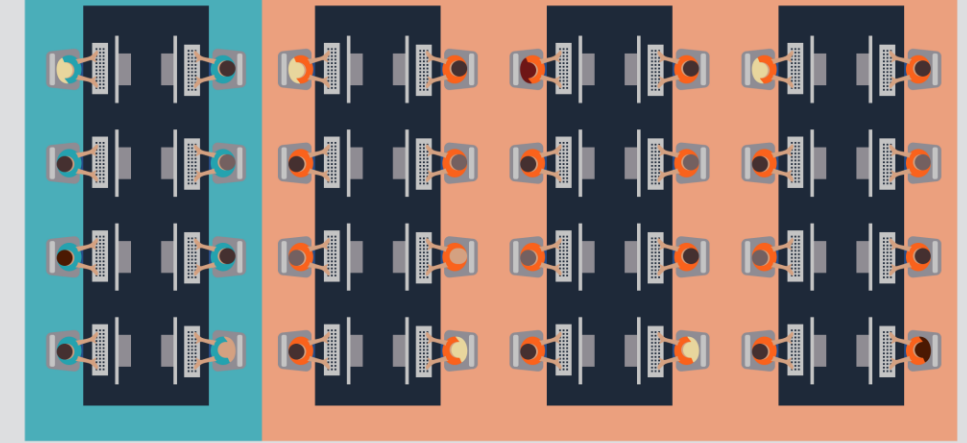
ETHICS WALL



Equity Research

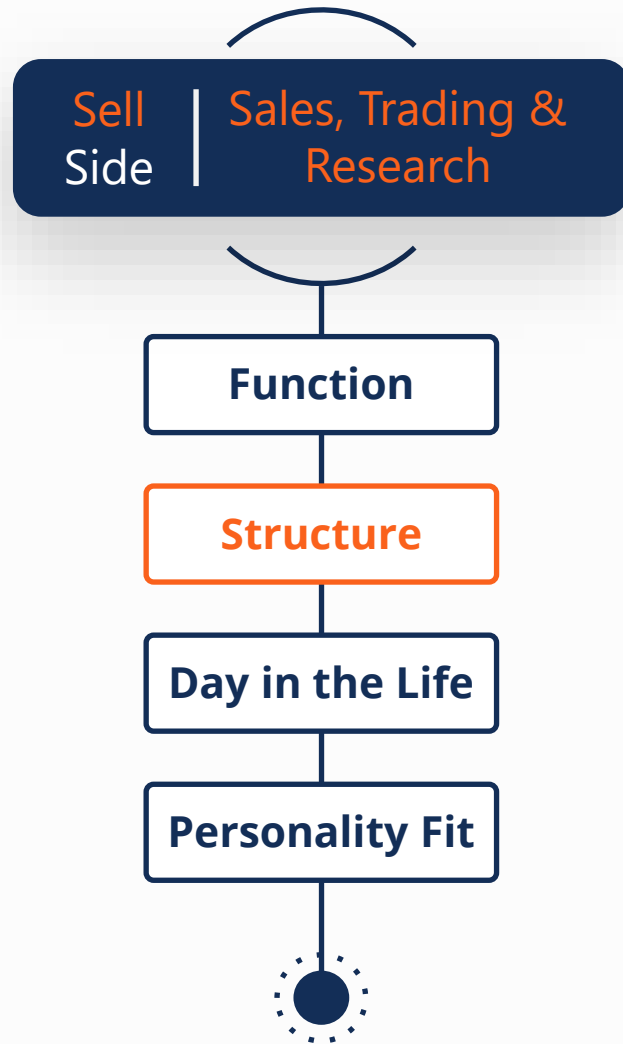


ORIGINATION



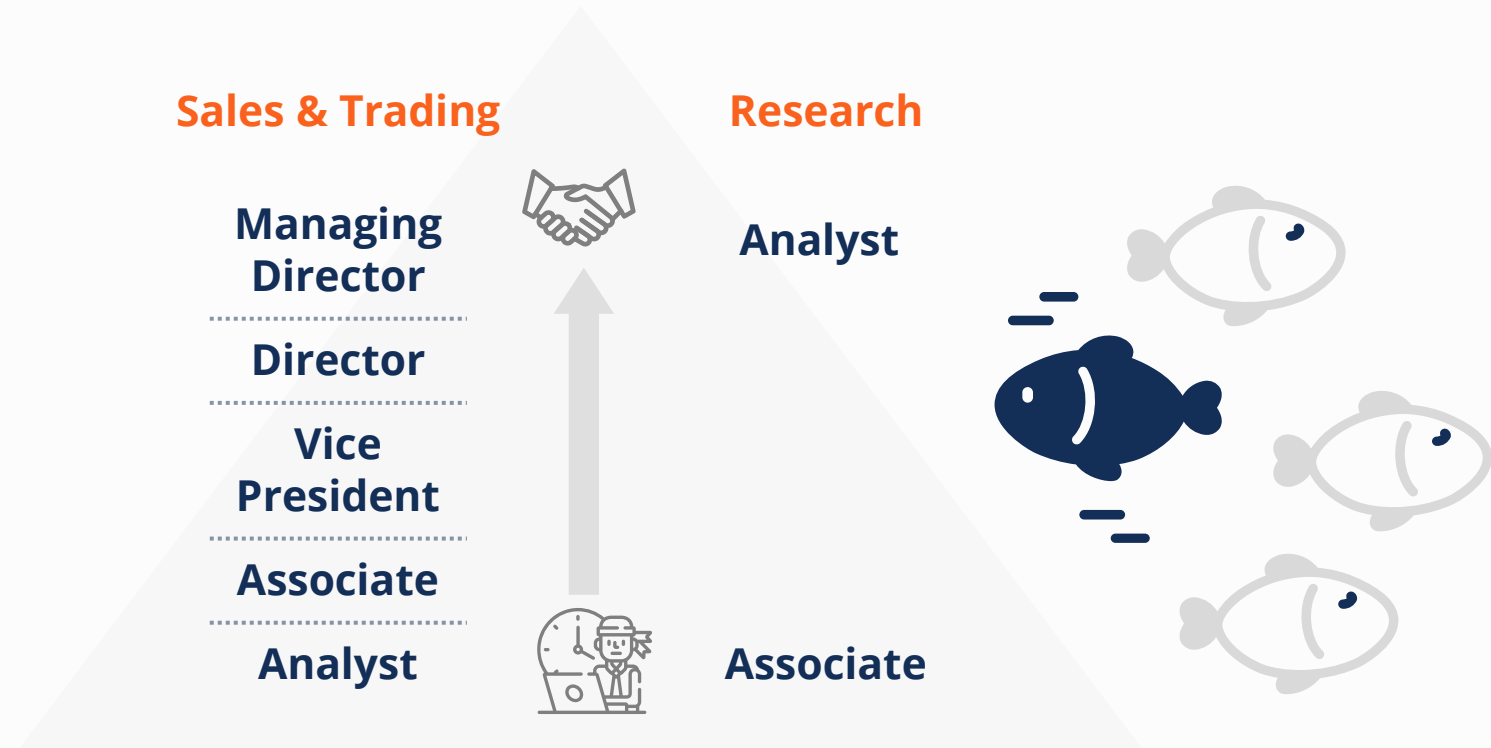
Corporate Debt Research

Sell-Side: Sales, Trading, and Research

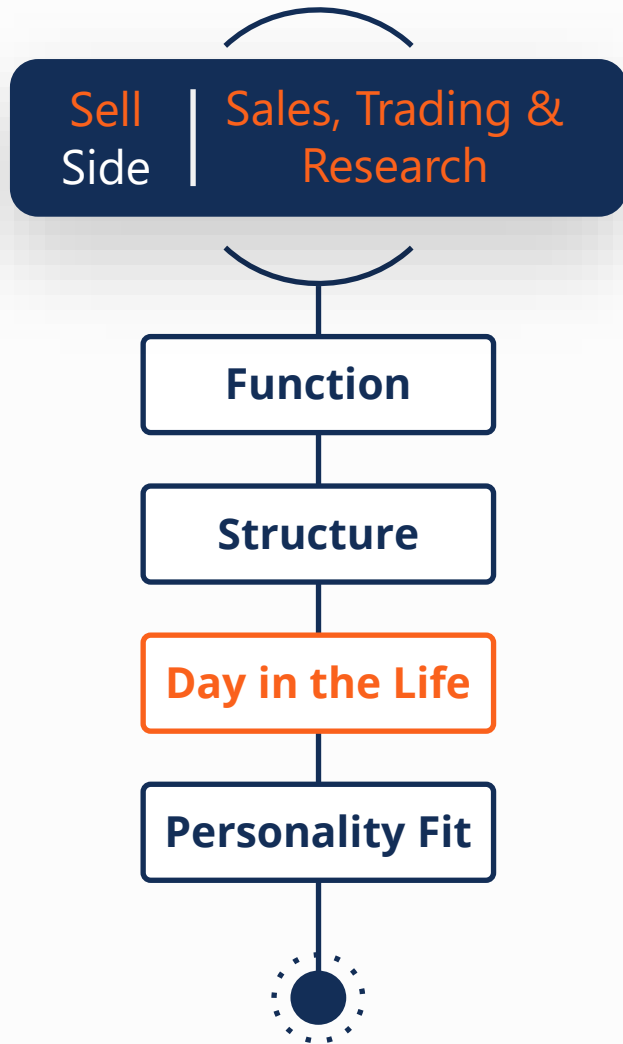


Sales, Trading, and Research Career Paths

- Sales and Trading follow the same path
- Research is unique



Sell-Side: Sales, Trading, and Research



SALES

01



Call buy-side client

02



Communicate market color

03



Relay **quote(s)** from **Trader(s)**

Sales | AM Agenda

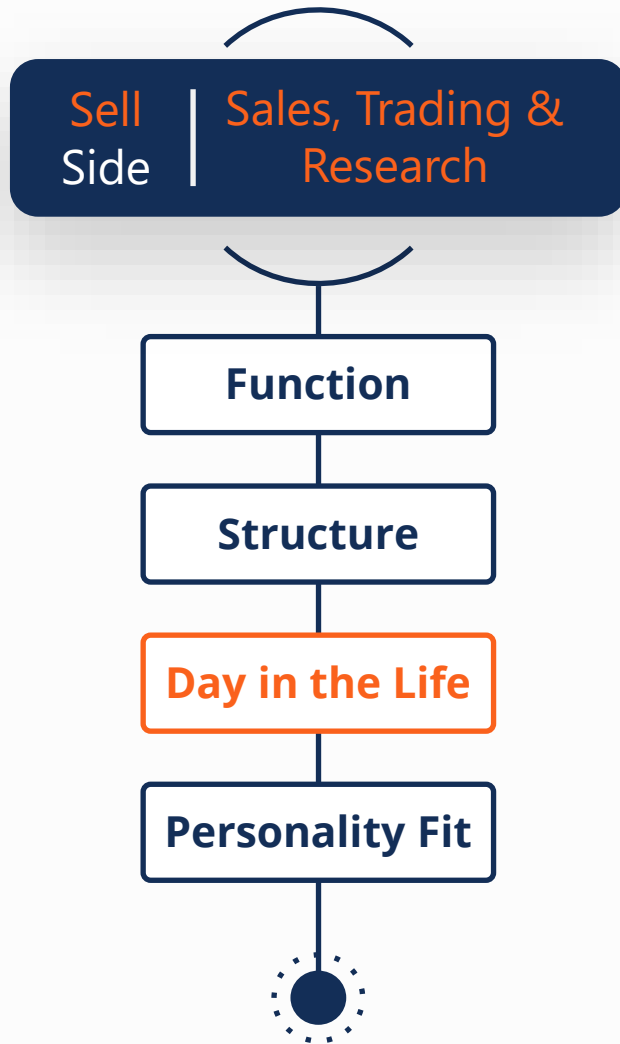


7-7:30 AM / 5PM... and beyond

Early morning start!

- ☐ Morning call with Sales/Trading/Research
- ☐ Start calling clients
- ☐ Respond to price quote requests from clients on Bloomberg
- ☐ Connect clients to resources at the firm
- ☐ Take clients out to dinner and drinks to build relationship

Sell-Side: Sales, Trading, and Research



TRADER

01



Make Markets

02



Respond to clients via Sales

03



Work with Sales to pitch trades

Trading| AM Agenda

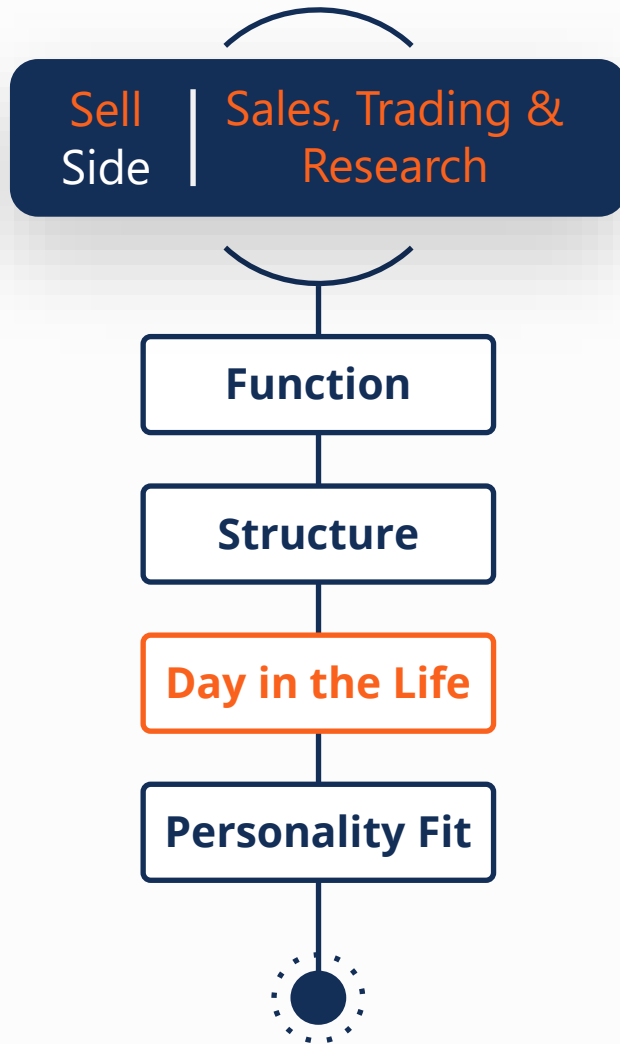


7-7:30 AM / 5PM

Early morning start!

- ☐ Morning call with Sales/Trading/Research
- ☐ See where markets open, while taking in overnight information and analyzing the day's news to develop views
- ☐ Respond to price quote requests from Sales team

Sell-Side: Sales, Trading, and Research



RESEARCH

01



Research

02



Report

03



Project

Research | AM Agenda



7-7:30 AM / 5PM

Early morning start!

- ☐ Get caught up on all overnight news and headlines
- ☐ Listen in on the morning call with Sales/Trading/Research
- ☐ Listen to earnings calls, ask questions, write call notes, update financial models
- ☐ Prepare marketing material for client presentations

Full Circle Transaction

01



PENSION FUND

**Portfolio Manager,
Fixed Income**

- **Calls/Receives call from Salesperson** to get market color, as well as talk about any transactions the Fund may want to execute

02



SALES

**Salesperson,
Government Bonds**

- Gets market insights from traders and works together to make mutually beneficial trades with buy-side
- Call client base to relay market color and intel from traders

03



TRADING

**Trader,
HG Credit**

- Analyzes markets movements
- Communicates with Sales team to move positions and balance risk
- Sends RUNZ to clients and internally



RESEARCH

Corporate Debt

- Researching, reporting, and projecting – on companies and industries
- Sends RUNZ to clients and internally



Buy Side

Learning Roadmap



Buy-Side Overview



Investor Money

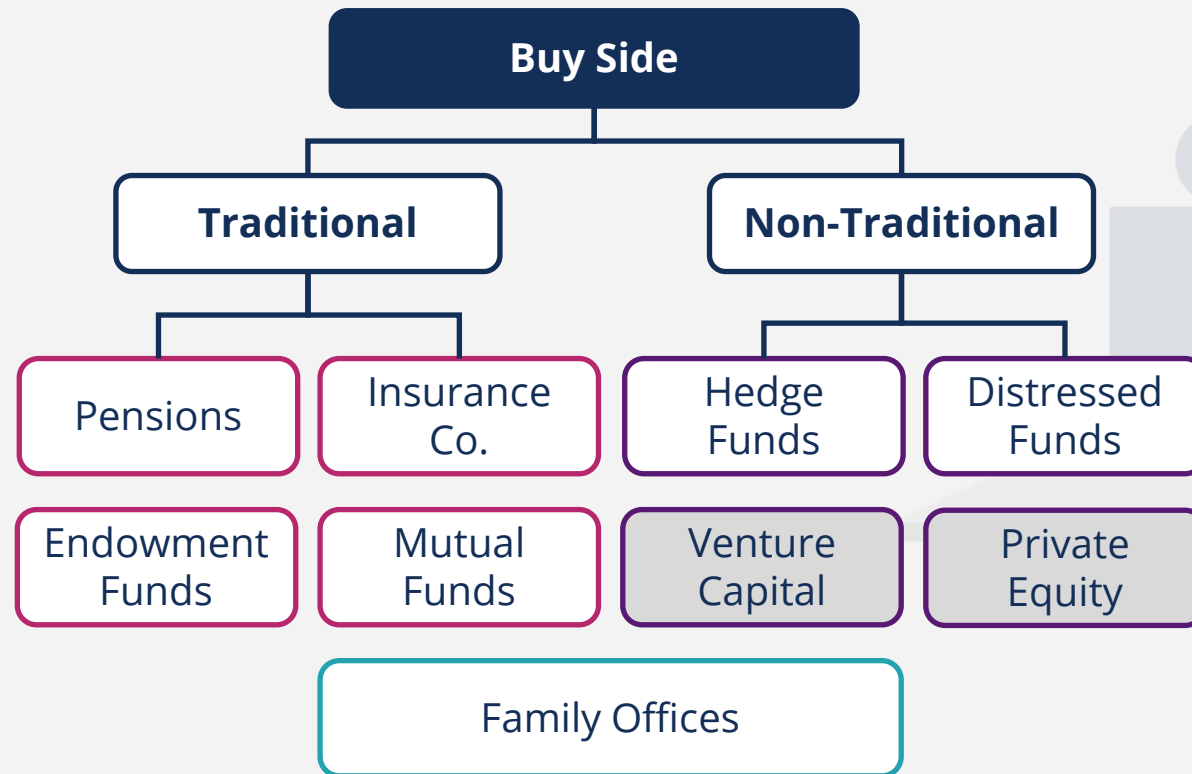


Manage



Grow

Buy-Side Overview



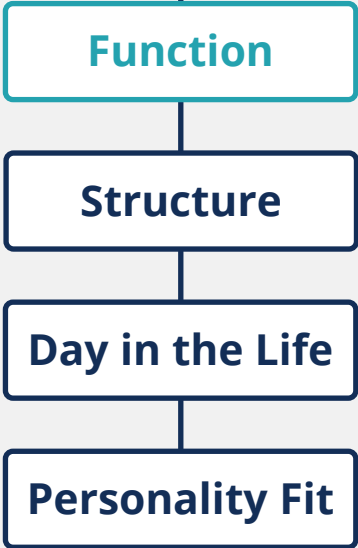


Buy-Side Traditional

Buy-Side: Traditional

Buy Side | Traditional

Examples of Traditional Buy-Side firms



Asset
Managers

P I M C O

Pension
Funds

NPS National Pension Service

Insurance
Companies

Allianz

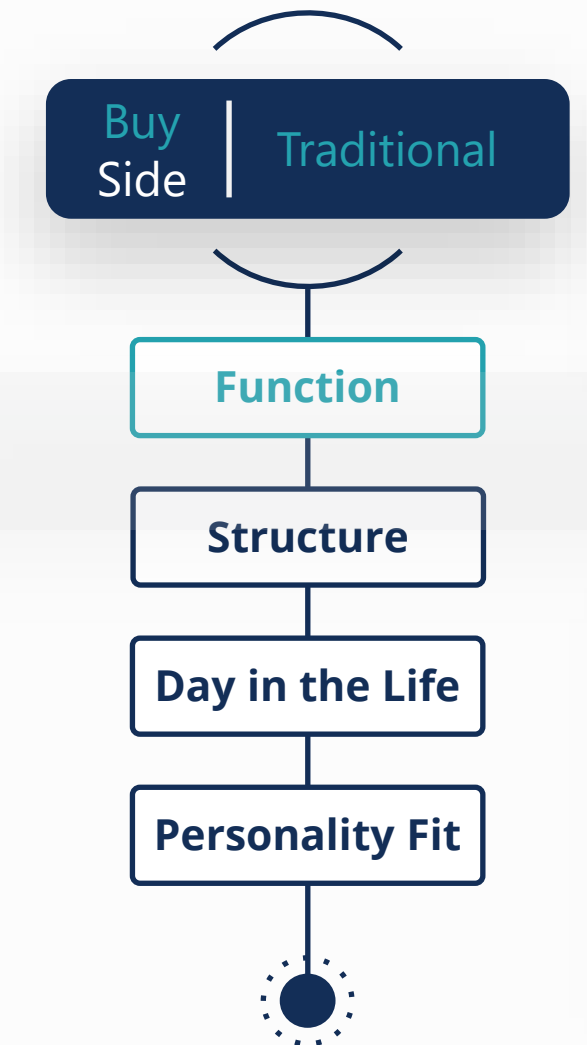
Endowment
Funds



HARVARD
MANAGEMENT
COMPANY

Family
Offices

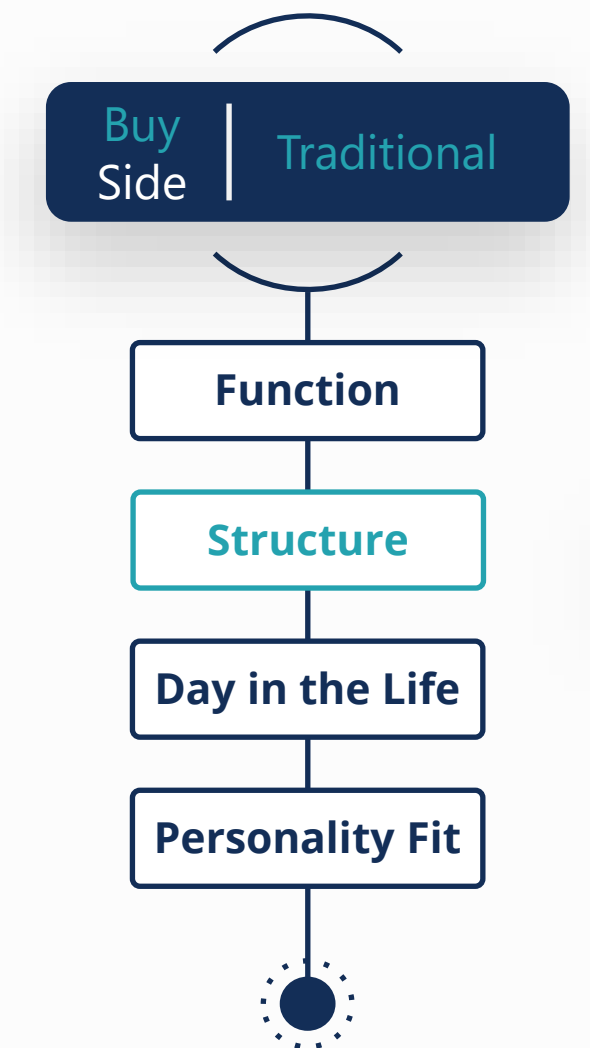
BEZOS
EXPEDITIONS

Buy-Side: Traditional



 Investors	Public investors	Retirees & Pensioners	Policy Holders	Current & Prospective Students	Family Members
	Asset Managers	Pension Funds	Insurance Companies	Endowment Funds	Family Offices
 Buy Side Firms	PIMCO	NPS National Pension Service	Allianz	HARVARD MANAGEMENT COMPANY	BEZOS EXPEDITIONS

Buy-Side: Traditional



Asset Class

- Fixed Income
- Equities
- Commodities



Geographic Region

- North America (NA)
- Europe Middle East and Africa (EMEA)
- Asia-Pacific (APAC)
- Emerging Markets (EM)

US, State Pension Fund – Manages All Teachers (K-12) Retirement Income

Core Fixed Income Team

- NA Governments



Global Equities Team

- Focus on NA and EMEA



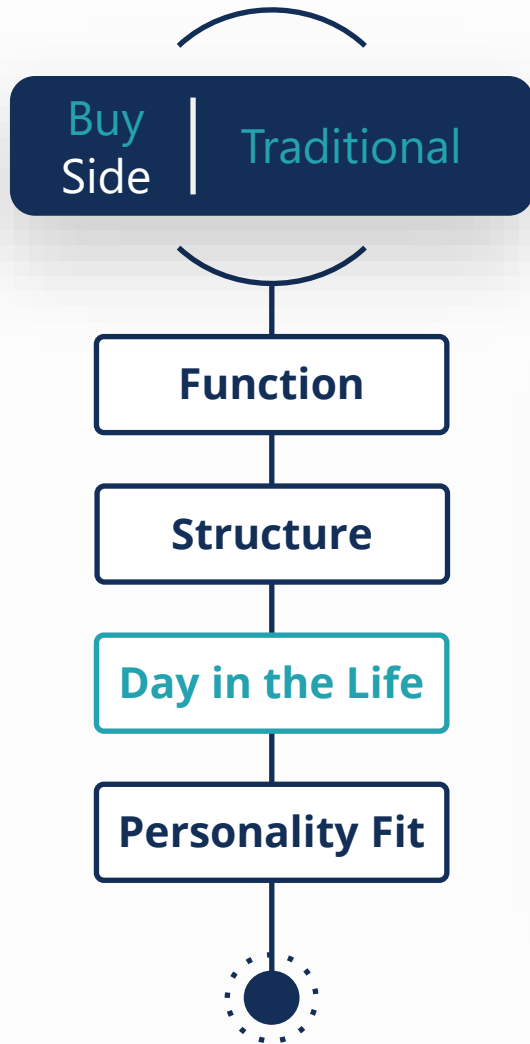
Buy-Side: Traditional



Buy-Side: Traditional



Buy-Side: Traditional

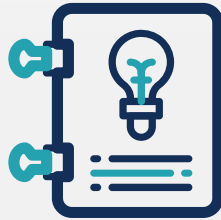


8-8:30 AM / 5 PM

Not as early as sell-side 😊



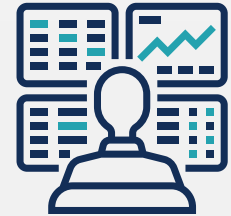
Get caught up on headline news that may impact your portfolio



Gather and analyze data
to inform your views

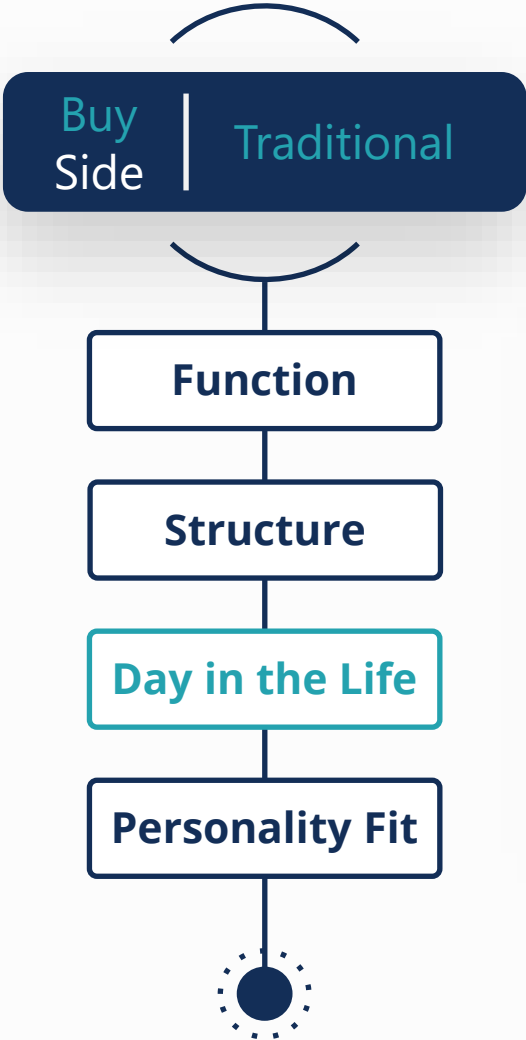


Monitor current
active positions



Execute trades and
rebalance positions

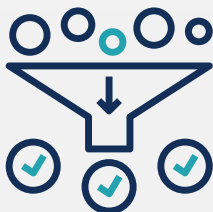
Buy-Side: Traditional



8-8:30 AM / 5 PM

Not as early as sell-side 😊

Separate the useful from the unimportant



Filter
Information



Think
Critically



Hypothesize



Debate
Perspectives



Ssshh! Indoor voices please!

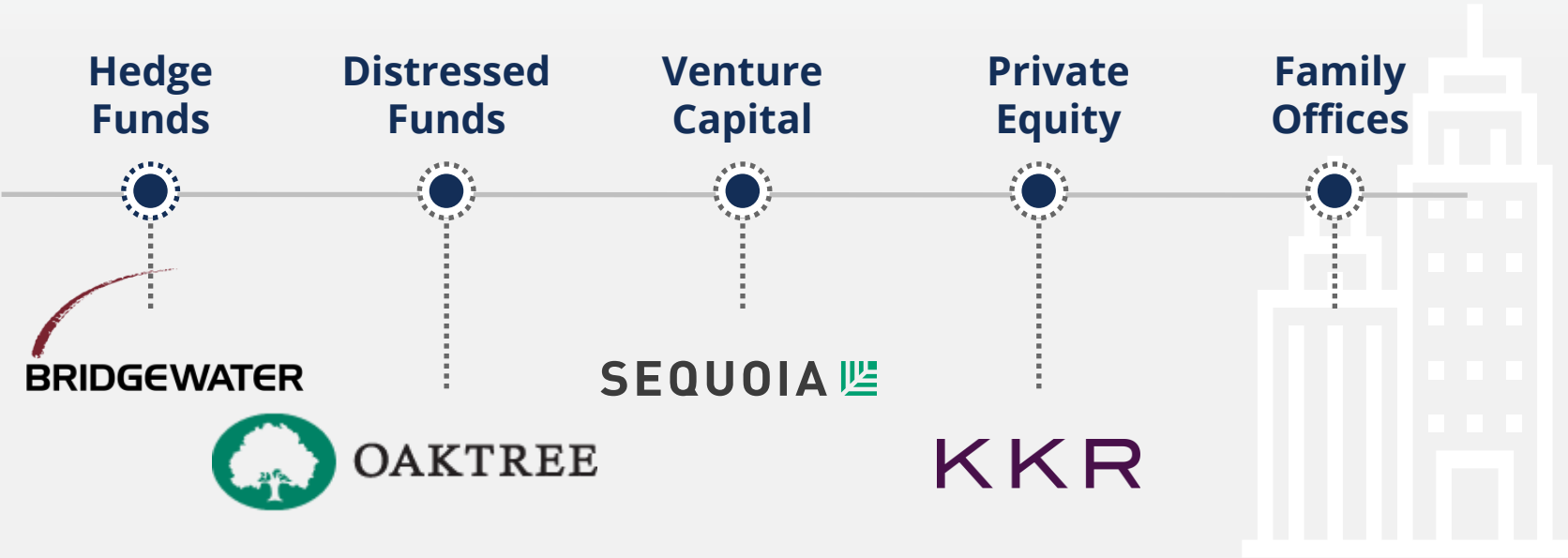
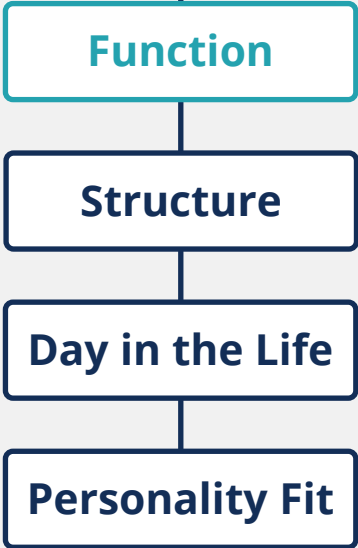


Buy-Side Non-Traditional

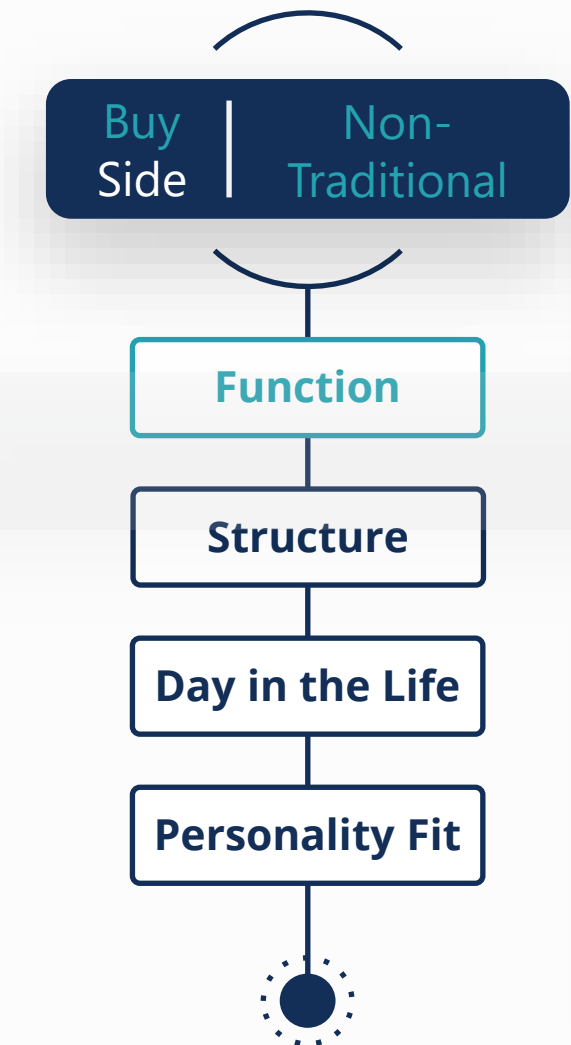
Buy-Side: Non-Traditional

Buy Side | Non-Traditional

Examples of Non-Traditional Buy-Side firms



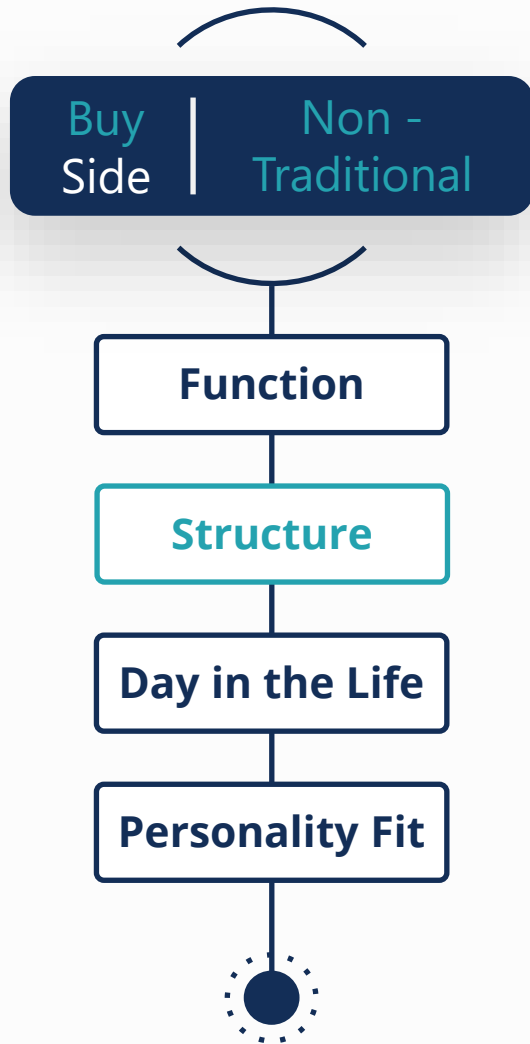
Buy-Side: Non-Traditional



Accredited investors only

	Hedge Funds	Distressed Funds	Venture Capital	Private Equity	Family Offices
Buy Side Firms	 BRIDGEWATER	 OAKTREE	SEQUOIA 	KKR	

Buy-Side: Non-Traditional



Leverage

is a good characteristic of a non-traditional buy-side firm but not a necessary one

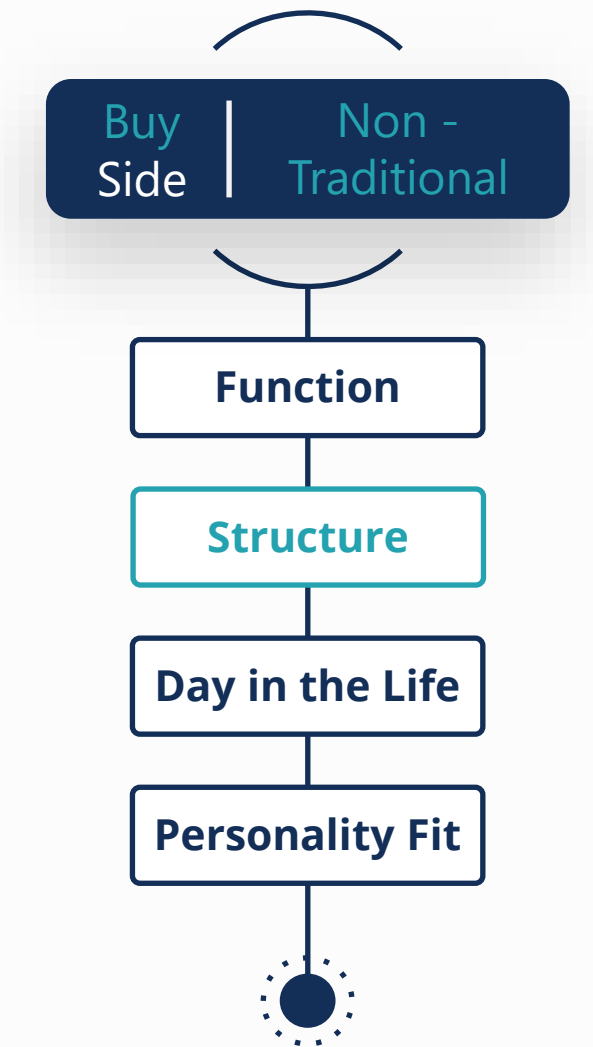


Actively Managed

Unregulated

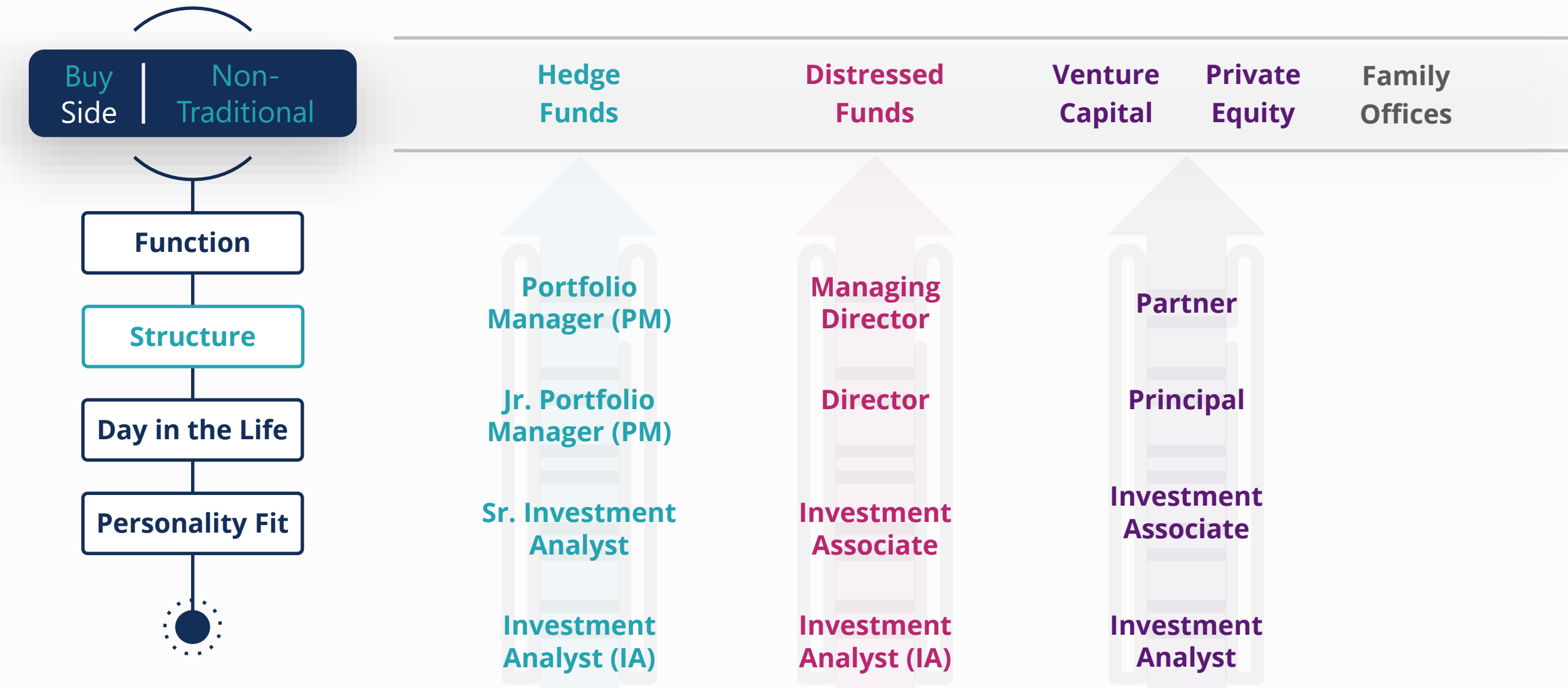
Limited Investors

Buy-Side: Non-Traditional

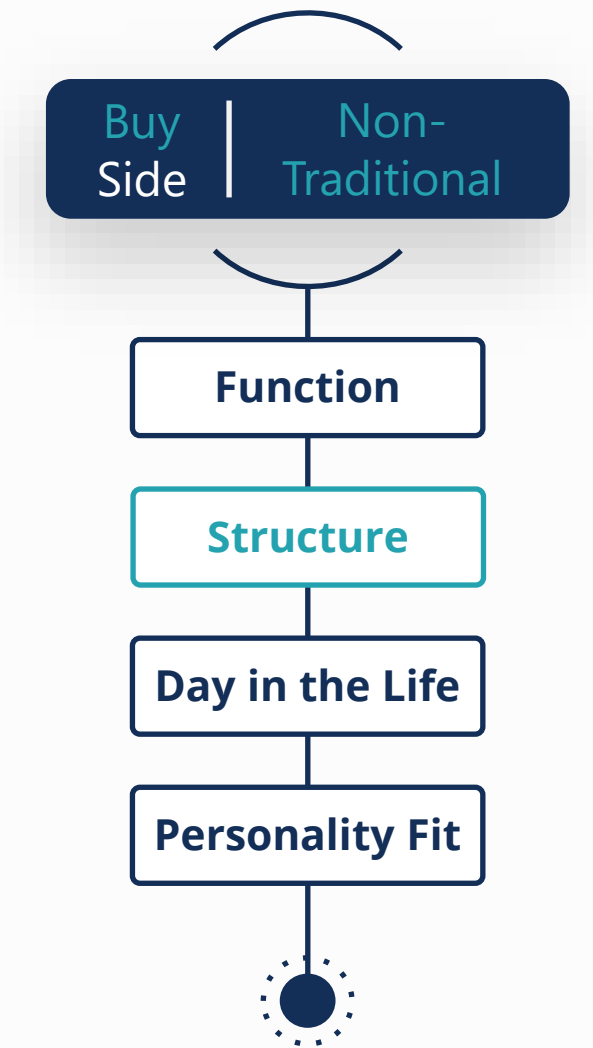


Traditional	Non-Traditional	
Market Facing	Market Facing	Deal-Oriented / Non-Market Facing
<div>PF Pension Fund</div>	<div>HF Hedge Fund</div>	<div>PE Private Equity</div> <div>VC Venture Capital</div>
Low risk, conservative investment strategy	Not seeking ownership influence	Take material interest in companies, and focus on achieving returns through management influence

Buy-Side: Non-Traditional

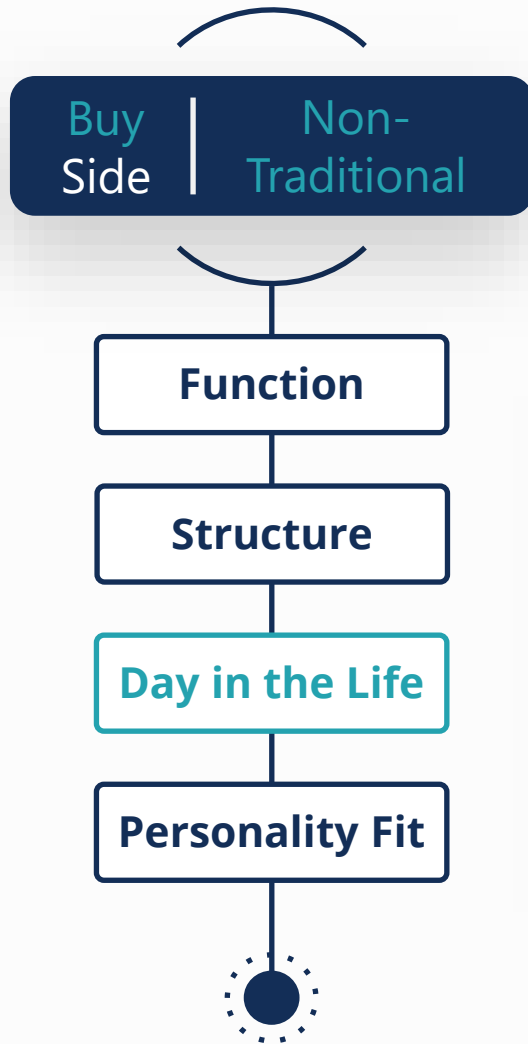


Buy-Side: Non-Traditional



	Non-Traditional	Traditional
Regulation	Minimal	Extensive
Fees	Incentive	Assets Under Management
Leverage	High	Low
Performance Measurement	Absolute Returns	Versus Benchmark
Market Exposure	Long, short	Long
Correlation with Traditional Markets	Low	High

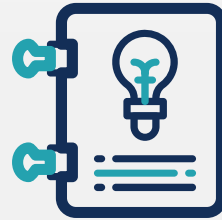
Buy-Side: Non-Traditional



7:15-8 AM / 6 PM... or later



Get caught up on headline news that may impact your portfolio



**Gather and analyze data
to inform your views**



**Monitor current
active positions**



**Execute trades and
rebalance positions**



Take calls from sell-side brokers to discuss markets



Discuss and debate investment ideas with colleagues

Conclusion

