**MARKET, SHARES & COMMODITIES**

**Market**

Market:-

* **Market:** A collection of financial services, products & instruments.
* Its where companies & services are bought and sold.
* And its value can rise or fall depending on **economic condition**.
* **IOU:** ***"I owe you"*** is a **debt** in **bonds**.
* **ETF:** Exchange traded funds.
* Market is sometimes **electronic** & sometimes **over the counter** (OTC).

Bid and ask:-

* **Spread:** **Difference** between buying & selling price.
* **Bid:** **Top price** the buyer is willing to pay.
* **Broker:** A person who makes profit from the bid.
* Spread can **widen** when number of sellers are **more** than number of buyers.
* Spread is **low** when demand is **high**.
* Low volume stocks may have wider spread for **not** being used.
* Bid and spread are very important in ***day trading***.

Overall affect:-

* Price of stocks shown on internet are **last paid** price.
* **Availability**, **volume**, **popularity** & **market volatility** affects the spread.

**Shares**

Share terms:-

* Money is referred as ***capital*** or ***equity***.
* Shares are too referred as ***equities*** or ***stocks***.
* **Face value:** Value of each equal share.
* **Issued capital:** Total price of all shares combined.
* **Market capitalisation/cap:** Total price of all shares combined when shareholders are paying **extra** for the shares.
* **Capital gain:** Gaining profit through share.
* Sometimes, the company may pay out ***dividends***.
* **Technology companies** often hold shares for shareholders.
* **Illiquid:** Financial flexibility.
* One can contact **broker** or even by **online platforms** supplied by these firms.
* **Ask:** Price at which someone will sell the share.
* One needs to consider the **supply & demand** of the shares.
* **Availability of shares** is **inversely** proportional to the **price**.
* One can lose the capital if the price of their stock **falls**.

Basic info:-

* One **can’t** directly contact the company for buying its stocks.

**Bid value ≤ Ask value**

**Commodities**

Types of commodities:-

* **Soft commodities:** Agricultural products
* **Livestock:** Live animals & even their meat products are livestock.
* **Hard commodities:** Mined and manufactures metals.
* **Energy:** Oils and fuels.

About commodities:-

* **Producers** and **brokers** from all over the world buy and sell at ***commodities markets***.
* Without commodities market, it would have been very difficult for producers to sell their substance to manufacturers far from their geographical location.

Main 3 commodities market:-

* ***The CME Group***
* ***The Intercontinental Exchange***
* ***The London Metal Exchange***

Benefits of commodities market:-

* Commodities are bought and sold at commodities markets **on spot**.
* **Forward contracts:** Allows products to be bought & delivered in future.
* **Option:** A party having an option to buy or sell something in future but without any immediate needs.
* **Future:** Similar to option but party needs to deliver commodity or pay for it.
* So, using it one can **lock** into the future price of something & **save money** or **gain profit**.

Exchange traded funds (ETF):-

* One can buy or sell shares in **ETFs**, which are **backed** by ***physical commodities***.
* **Physical commodities:** Commodities which can be bought or sold in physical form.
* **Financial commodities:** Also known as ***derivative instruments*** are stocks, bonds, currencies or derivatives.
* The charges made by **ETF managers** are **lower** compared to other funds.
* Buying or selling into ETFs are **very easy**.
* **Leverage:** Borrowing capital or debt.