

# Financial Services

Investment Banks, Stock Markets

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# In this innings (Key takeaways)

- Investment Banks
  - What they are
  - Functions (MFs and AMCs also)
- Stock Markets

# Investment Banks

- help individuals or organisations raise capital and provide financial consultancy services to them.
- act as intermediaries between security issuers and investors and help new firms to go public.

# What they do

- Wealth and Asset Management
- Sales
- Research
- Handling Merger and Acquisitions
- Underwriting New Stock Issues

# Mutual Funds



- Pool of money
- To invest in securities
- Does not give voting rights
- Gives diversification at a low price

# Asset Management Company (AMC)

- Invests **pooled funds** from clients into a variety of securities and **assets**.
- Investments - stocks, bonds, real estate and more.
- Range - **personal** money managers to **large** investment companies
- They get - **fees**, or **percentage** of a client's **assets** under management.

# How Do AMCs Work?

- Diversification - More **options** than individual investor
- Buying on large scale - Price **discount** on purchases
- Minimum Investment requirements are easily avoided
- Decision - In-house **research** and **data analytics**
- Also take public **recommendations** from **sell-side** firms



# Research

- Analysing **factors/trends** driving an industry's growth prospects
- Analysis of companies within an industry
- Activities
  - Gathering info, writing reports, selling research to clients
- Help
  - Market making(sales & trading)
  - Wall street coverage(research)
- **Analysts**



# Investment Banking Analyst (!=Equity research analyst)

=> Analysis of equity stocks or securities of various organizations.

How different is it working as an equity research analyst and an investment banking analyst	
Equity Research Analyst 	Investment Banking Analyst 
An equity research analyst studies the market dynamics and the market participants along with the impending business environment, to write an equity research report which will help his clients or readers take calculated decisions which will get them optimal returns	An investment banking analyst is a person who helps organizations, associations or governments in raising finance, equity or debt by issuing or selling stock in the primary market
Less Glamorous	More Glamorous
Comparatively low payment	Higher payment (especially higher bonuses)
More of back-end work	More of front-end work
Prepares equity research reports	Prepares pitch books and information memorandums
Works at a equity research firm	Works with an investment bank
Needs good communication skills (both written as well as spoken), analytical mind set, decisive thinking, and excellent research skills	Needs specific financial skills, number-crunching abilities, superb communication skills (both verbal and written), and the ability to work very elongated and gruelling hours

=> Raising finance, equity or debt by issuing or selling stock in the primary market.

# Sales



- Contact potential investors- retail or institutional
- Suggest investors- ideas and opportunities
- Keep clients in loop with the latest market developments
- Contact with portfolio managers to get timely market information
- Bottom line of job- *“convince potential investors that the firm’s traders are better than traders working for competing financial firms”*
- *“If a firm can’t sell its services to clients, then it won’t be able to do business.”*

# Trading



- Buy and sell assets- either on behalf of the investment firm they work for or on behalf of the firm's clients
- **MUST be able to anticipate** the impact different occurrences (overnight developments) could have on the financial market
- **MUST have**- risk management strategy and investment strategy
- Advise clients on entering and exiting financial positions
- IBs **trade a large volume of securities at one time**  $\Rightarrow$  traders engage in sales and trading with their counterparts in other firms

# Trading



- Agency Trading- **Skilful execution** of trades on behalf of the firm's clients
  - *“**Strategically spread** out their buying to acquire the desired number of shares **@ a favourable price without** having their buying **drive the price up**”*
- Proprietary Trading- **Trading the firm's own money**
- *“If a firm can't trade well, then it becomes difficult for the firm to obtain and keep clients and to make money.”*

# Stocks

- Stock is a share in the ownership of a company
- Most stocks are traded on exchanges
- Buyers and sellers meet and decide on a price
- **Primary Market**- IPO
- **Secondary Market**- Stock market

# Stocks

- Stock prices change everyday by market forces
- Supply v/s Demand
- **Market capitalization**- Price x Shares

# Factors influencing stock prices

- Company performance
- Information about the future profit's of the company
- The economy
- Changes in the interest rate
- Special events
- Speculation

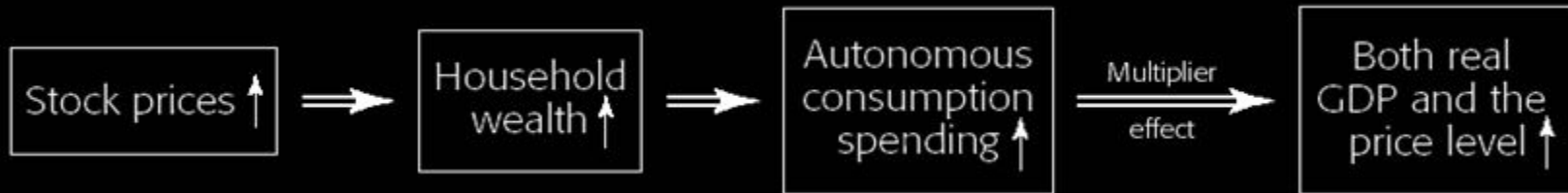
# List of major stock exchanges

Rank	Stock Exchange	Country	Monthly Trade Volume (USD bn)
1	New York Stock Exchange	New York City	22,923
2	Nasdaq Stock Exchange	New York City	10,857
3	Japan Exchange Group	Tokyo	5,679
4	Shanghai Stock Exchange	Shanghai	4,026
5	Hong Kong Stock Exchange	Hong Kong	3,936
10	Bombay Stock Exchange	India	2,056



# Wealth Effect

- Link between stock prices and consumer spending
- Autonomous consumption spending tends to move in same direction as stock prices



# Dedicated to Stock Market



# Sites to visit:

- <https://www.thebalance.com/what-is-an-investment-bank-357318>
- <https://corporatefinanceinstitute.com/resources/careers/jobs/sales-and-trading/>
- <https://strategiccfo.com/financial-position/>
- <https://www.investopedia.com/terms/p/portfoliomanager.asp>