



Financial Markets Quick Reference

Essential concepts for understanding how financial markets work



Stock Market (Equity Market)

What It Is: Market for buying/selling company ownership shares

Type: Equity (Ownership)

Major Exchanges: NYSE, NASDAQ

Trading Hours: 9:30 AM - 4:00 PM ET

Risk Level: Medium to High

Key Participants:

- **Individual Investors:** Buy/sell for personal wealth
- **Institutional Investors:** Mutual funds, pension funds
- **Market Makers:** Provide liquidity
- **Broker-Dealers:** Facilitate trades

Key Returns:

- **Capital Gains:** Profit from selling at higher price
- **Dividends:** Company profit distributions



Bond Market (Fixed Income)

What It Is: Market for buying/selling debt securities
Type: Debt (Fixed Income)
Trading: Over-the-Counter (OTC)
Risk Level: Low to Medium

Key Participants:

- **Government Issuers:** Treasury, municipalities
- **Corporate Issuers:** Companies raising capital
- **Bond Investors:** Seeking stable income
- **Bond Dealers:** OTC market facilitators

Bond Types:

- **Treasury Bonds:** U.S. government (lowest risk)
- **Corporate Bonds:** Company debt (higher yield)
- **Municipal Bonds:** State/local government

Key Terms:

- **Face Value:** Amount repaid at maturity
- **Coupon Rate:** Interest rate paid
- **Maturity Date:** When bond comes due



Commodity Market

What It Is: Market for physical goods & raw materials
Type: Physical & Derivative
Major Exchanges: CME, ICE, NYMEX
Risk Level: High (Volatile)

Key Participants:

- **Producers:** Farmers, miners, oil companies
- **Consumers:** Manufacturers, processors
- **Speculators:** Profit from price movements
- **Hedgers:** Lock in prices for risk management

Commodity Categories:

- **Energy:** Crude oil, natural gas, gasoline
- **Metals:** Gold, silver, copper, platinum
- **Agriculture:** Wheat, corn, soybeans, coffee
- **Livestock:** Cattle, hogs, pork bellies



Forex Market (Foreign Exchange)

What It Is: Market for trading currencies

Type: Currency Exchange

Trading Hours: 24 hours, 5 days/week

Daily Volume: \$6.6 trillion (world's largest)

Risk Level: High (Leverage Available)

Key Participants:

- **Central Banks:** Manage currency & monetary policy
- **Commercial Banks:** International trade facilitation
- **Corporations:** Currency conversion for operations
- **Retail Traders:** Speculate on currency movements

Major Currency Pairs:

- **EUR/USD:** Euro to US Dollar
- **GBP/USD:** British Pound to US Dollar
- **USD/JPY:** US Dollar to Japanese Yen
- **USD/CHF:** US Dollar to Swiss Franc



Essential Terms

Market Capitalization

Total value of company's outstanding shares (Stock Market)

Liquidity

How easily an asset can be bought or sold without affecting price

Volatility

Degree of price fluctuation in a market or security

Yield

Income return on investment (dividends, interest)

Bull Market

Period of rising prices and optimism

Bear Market

Period of falling prices and pessimism

Hedging

Strategy to reduce risk exposure through offsetting positions

Futures Contract

Agreement to buy/sell asset at predetermined future date and price



Quick Comparison

Market	Asset Type	Goal	Risk
Stock	Equity	Growth	Med-High
Bond	Debt	Income	Low-Med
Commodity	Physical	Hedge/Spec	High
Forex	Currency	Exchange/Spec	High



Key Investment Considerations

- **Diversification:** Spread investments across multiple markets
- **Time Horizon:** Match investments to your timeline
- **Risk Tolerance:** Align with your comfort level
- **Financial Goals:** Growth vs. income vs. preservation
- **Fees & Costs:** Transaction costs impact returns
- **Liquidity Needs:** How quickly you may need access to funds



How Markets Are Connected

- Stock prices affect corporate bond values
- Currency changes impact commodity prices
- Interest rates influence all markets
- Economic indicators drive market sentiment
- Global events create ripple effects across markets