

Understanding Financial Markets

Supporting Worksheet - Guided Practice Activity

Instructions: Complete each section below to demonstrate your understanding of financial markets. Use examples from class discussions and the Financial Markets Explorer tool.

Part 1: Market Identification

- 1 Match each financial instrument to the correct market:

Financial Instrument	Market Type
Apple Inc. common stock (AAPL)	
U.S. Treasury 10-year bond	
Gold futures contract	
EUR/USD currency pair	
Corporate bond from Microsoft	
Crude oil futures	

- 2 For each market below, identify TWO key participants and explain their role:

Stock Market

Bond Market

Commodity Market

Forex Market

Part 2: Market Characteristics

3 Complete the comparison table:

Characteristic	Stock Market	Bond Market	Commodity Market	Forex Market
Trading Hours				
Risk Level				
Typical Goal				

4 Explain the difference between ownership (equity) markets and debt markets:

Part 3: Real-World Applications

Scenario A: Investment Decision

Sarah has \$5,000 to invest and wants to build a diversified portfolio. She's 18 years old and won't need the money for at least 10 years. She's willing to accept moderate risk.

- 5** Which markets should Sarah consider and why? Recommend a percentage allocation across at least two different markets:

Scenario B: Business Operations

A U.S. technology company needs to pay suppliers in Europe (in Euros) in 3 months but is concerned that the Euro might strengthen against the dollar, making the payment more expensive.

- 6** Which financial market could help this company manage their currency risk? Explain how:

Scenario C: Retirement Planning

Mr. Johnson is 60 years old and plans to retire in 5 years. He wants stable, predictable income with low risk to his principal investment.

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Which market would be MOST appropriate for Mr. Johnson and why?

Part 4: Critical Thinking

- 8 Why do you think the Forex market operates 24 hours a day while the stock market has specific trading hours?

- 9 How are commodity markets different from other financial markets? Explain what makes them unique:

- 10 Explain how all four markets (stock, bond, commodity, forex) are interconnected. Give at least one example:

Part 5: Personal Application

- 11** Based on what you've learned, which financial market interests you most for your future financial goals? Explain why:

- 12** What additional information would you need before investing in any of these markets?

List at least 3 things: