



# 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