* **Financial Market Keywords:**

1. **Business Entities:**

Business entities refer to legally recognized organizations that engage in commercial, industrial, or professional activities.

1. **Financial Market**
2. **Government**
3. **Funds**
4. **Investors**
5. **Surplus Funds:**

Surplus funds typically refer to excess money or financial resources that are available beyond what is needed for immediate expenses or obligations.

1. **Public**
2. **Financial Instruments**
3. **Invest**
4. **Financial System**
5. **Regulators:**

Regulators are entities or government agencies responsible for overseeing and enforcing rules, regulations, and laws within a specific industry or sector. The primary objective of regulators is to ensure fair practices, protect consumers, maintain market integrity, and promote the stability and efficiency of the regulated entities.

1. **Financial Institutions:**

Financial institutions are entities that provide financial services, such as banking, insurance, investment, and other related activities. These institutions play a crucial role in the financial system by facilitating the flow of funds between savers and borrowers, managing risk, and supporting economic activities.

1. **Demanders**
2. **Deficit**
3. **Stocks:**

Stocks, also known as shares or equity, represent ownership in a company. When an individual owns stock in a company, they become a shareholder and have a claim on part of the company's assets and earnings. Stocks are a type of financial instrument that is bought and sold on stock exchanges, providing investors with an opportunity to participate in the ownership and potential profits of publicly traded companies

1. **Bounds:**

Bonds are long-term debt instruments that represent a loan made by an investor to a borrower. Bonds have a fixed maturity date, and interest payments (coupon payments) are made periodically until maturity. Bondholders receive the principal amount back at maturity. For more details see details about **Debt** in this note.

1. **Commodities:**

Commodities are raw materials or primary agricultural products that can be bought and sold, such as gold, oil, wheat, or copper. These goods are typically standardized and interchangeable with other goods of the same type**.**

1. **Equity**
2. **Derivatives:**

Derivatives are financial instruments whose value is derived from the value of an underlying asset, index, rate, or other reference. They are used for various purposes, including hedging against risks, speculating on price movements, and achieving portfolio diversification.

1. **Currencies:**

Currencies play a crucial role in the financial markets, serving as a medium of exchange, a store of value, and a unit of account. The foreign exchange (forex or FX) market is where currencies are traded, and it is the largest and most liquid financial market globally.

1. **Options:**

Options are financial derivatives that provide the holder with the right, but not the obligation, to buy (call option) or sell (put option) an underlying asset at a predetermined price (strike price) within a specified period (expiration date). Options are widely traded in financial markets and serve various purposes, including hedging, speculation, and income generation. Here are key concepts related to options in the financial market:

* **Call Options:**

A call option gives the holder the right to buy the underlying asset at the specified strike price before or at the expiration date. Call options are often used by investors who expect the price of the underlying asset to rise.

* **Put Options:**

A put option gives the holder the right to sell the underlying asset at the specified strike price before or at the expiration date. Put options are commonly used for hedging against potential price declines in the underlying asset.

* **Strike Price:**

The strike price is the pre-determined price at which the option holder can buy (in the case of a call option) or sell (in the case of a put option) the underlying asset.

* **Expiration Date:**

Options have a finite lifespan, and the expiration date is the date on which the option contract expires. After this date, the option is no longer valid.

* **Premium:**

The premium is the price paid by the option buyer to the option seller for the right to buy or sell the underlying asset. It represents the cost of the option.

* **In-the-Money (ITM), At-the-Money (ATM), Out-of-the-Money (OTM):**

An option is considered in-the-money (ITM) if exercising it would result in a profit. At-the-money (ATM) options have a strike price equal to the current market price of the underlying asset. Out-of-the-money (OTM) options would result in a loss if exercised.

* **Option Chains:**

Option chains display a list of available options for a particular underlying asset, including different strike prices and expiration dates.

* **Covered Call and Protective Put:**

Strategies like covered calls involve selling call options against a stock position to generate income. Protective puts involve buying put options to protect against potential downside risk.

* **Implied Volatility and Option Pricing:**

Implied volatility reflects market expectations for future price fluctuations. Higher implied volatility generally leads to higher option premiums. Option pricing models, such as the Black-Scholes model, help estimate option values.

* **Options Exchanges:**

Options are traded on organized options exchanges, such as the Chicago Board Options Exchange (CBOE) in the United States.

* **Option Strategies:**

Traders and investors often use various option strategies, including straddles, strangles, butterflies, and spreads, to achieve specific risk-reward profiles based on market expectations.

Options provide flexibility and can be used in various ways to manage risk or speculate on market movements. However, trading options involves risks, including the potential loss of the entire premium paid.

1. **Futures:**

Futures are financial derivatives contracts that obligate the parties involved to buy or sell an underlying asset at a predetermined price on a specified future date. These contracts are standardized and traded on organized futures exchanges. Futures contracts are commonly used for hedging against price fluctuations, speculating on future price movements, and managing risk.

1. **Debentures:**

Debentures are debt instruments issued by companies or government entities to raise capital. When an entity issues debentures, it is essentially borrowing money from investors in exchange for a promise to pay periodic interest and to repay the principal amount at maturity. Debentures are a form of long-term debt and represent a way for companies to secure financing without pledging specific assets as collateral.

1. **Debt:**

Debt in the financial market refers to borrowed funds that an entity, such as a government, corporation, or individual, raises by issuing debt instruments. Debt is a common form of financing that allows entities to raise capital for various purposes, such as funding operations, investing in projects, or managing short-term financial needs. Here are key aspects related to debt in the financial market:

* **Debt Instruments:**

Debt is typically raised through the issuance of debt instruments, which are contractual agreements outlining the terms of the borrowing. Common types of debt instruments include bonds, debentures, notes, and certificates of deposit.

* **Bonds:**

Bonds are long-term debt instruments that represent a loan made by an investor to a borrower. Bonds have a fixed maturity date, and interest payments (coupon payments) are made periodically until maturity. Bondholders receive the principal amount back at maturity.

* **Debentures:**

Debentures are unsecured debt instruments, meaning they are not backed by specific assets. Debenture holders are general creditors of the issuer and have a claim on the company's assets in the event of bankruptcy.

* **Secured Debt:**

Secured debt is backed by specific assets, which serve as collateral. If the borrower defaults, the lender has a claim on the collateral. Mortgages and secured bonds are examples of secured debt.

* **Credit Ratings:**

Debt instruments are assigned credit ratings by credit rating agencies, reflecting the creditworthiness of the issuer. Higher credit ratings indicate a lower risk of default, and lower-rated debt typically carries higher interest rates to compensate for increased risk.

* **Interest Payments:**

Borrowers pay interest on the debt, which is the cost of using the borrowed funds. The interest rate is determined by various factors, including prevailing market rates, creditworthiness, and the terms of the debt instrument.

* **Principal Repayment:**

Debt instruments have a specified principal amount that must be repaid at maturity. This repayment can occur in a lump sum or through periodic payments.

* **Maturity Period:**

Debt instruments have a defined maturity period, ranging from short-term (less than one year) to long-term (several decades). Short-term debt includes instruments like Treasury bills, while long-term debt includes bonds.

* **Covenants:**

Debt agreements may include covenants that outline certain conditions or restrictions imposed on the borrower. These could relate to financial ratios, capital expenditures, or other aspects of the borrower's operations.

* **Marketability:**

Debt instruments can be bought and sold in the secondary market. The market value of debt instruments can fluctuate based on changes in interest rates, credit conditions, and other market factors.

* **Use of Proceeds:**

The funds raised through debt issuance can be used for various purposes, such as capital expenditures, working capital, acquisitions, or debt refinancing.

Debt plays a crucial role in the financial markets and is an integral part of the broader financial system. Investors, both institutional and individual, often include debt instruments in their portfolios for income generation, diversification, and risk management. However, it's important to note that debt comes with obligations to repay both interest and principal, and the risk of default should be carefully assessed.

1. IPO:

IPO stands for Initial Public Offering, and it is a significant event in the financial markets. An IPO occurs when a private company makes its shares available to the public for the first time, transitioning from being privately held to publicly traded.

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* **Financial Market**

A financial market is a platform or system where buyers and sellers trade financial instruments such as Stocks, Bounds, Commodities, and Currencies. Its facilities the flow of capital and helps set prices based on supply and demands.

* **Financial System**

The financial system is a complex network of institutions, markets, regulations, and intermediaries that facilitate the flow of funds and resources within an economy. It plays a crucial role in channeling savings from individuals and institutions to those in need of capital, supporting economic growth and development.

Below are the type of Financial System:

* + 1. **Organized Sector**
    2. **Unorganized Sector**

1. **Organized Sector:**

* **Regulators**
* **Financial Institutions**

Financial institutions are entities that provide financial services, such as banking, insurance, investment, and other related activities. These institutions play a crucial role in the financial system by facilitating the flow of funds between savers and borrowers, managing risk, and supporting economic activities.

* **Financial Markets**
* **Financial Services**

Financial services encompass a broad range of economic activities provided by financial institutions to individuals, businesses, and governments. These services are essential for managing and optimizing financial resources, facilitating transactions, and supporting economic activities.

1. **Unorganized Sector:**

* **Money Lenders:**

Money lenders are individuals, in**stitutions, or entities** that provide loans or credit to borrowers in exchange for the repayment of the principal amount along with interest and, in some cases, other fees. Money lenders play a significant role in the financial system by facilitating the flow of funds to individuals, businesses, and other entities in need of capital.

* **Indigenous Bankers**
* **Scope of Indian Financial Market:**

1. Individuals
2. Agriculture Sector
3. Individual Sector
4. Service Sector
5. Financial Institutions (Bankers, Insurance, Provident Funds)

* **Classification of financial market**
* **Type of Financial claim**

1. **Debt**
   1. **Gov Bounds**
   2. **Securities**

Securities in the financial market represent financial instruments that can be bought and sold. These instruments typically represent a form of financial ownership or debt, and they are traded in various financial markets. Securities play a crucial role in capital markets by providing a means for entities to raise capital and for investors to participate in the financial markets.

* 1. **Corp Debentures**
  2. **Bounds**

1. **Equity**

* Maturity of financial claim:

1. **Money Market (<1Y)**
2. **Treasury Bills:**

Treasury Bills (T-Bills) are short-term debt securities issued by a government as a way to raise funds. They are widely considered one of the safest investments because they are backed by the full faith and credit of the government. Here are key features and aspects of Treasury Bills in the financial market: