Chapter 1:

Finacial Markets - important to promote greater economic efficiency by channelling funds from people who do not have greater economic efficiency to those who do.

Security - A claim of issuer's income or assets.

bond is a debt security that promises to make payments periodically for a specified period of time.

Interest rate - cost of borrowing or price paid for rental of funds

Stocks - represents a share of ownership in a corporation.

Foreign exchange rate - the price of one countries currency in terms of another's.

Financial intermediaries - institutions like banks/credit unions that borrow funds from people who saved, to make loans to others.

Financial crises - Major disruption in financial markets, sharp declines in asset prices and failure of many financial/non financial firms.

Central bank - gov agency responsible for conduct of monetary policy (Federal Reserve System)

Monetary policy - involves the management of interest rates and quantity of money supply