

Chapter 2

Financial Markets and Institutions

What is a market?

Types of Markets

Be able to distinguish between

1. Physical asset and Financial asset
2. Spot and futures
3. Money and Capital
4. Primary market and Secondary market

Table 2-1 in your text list several important money and capital market instruments

Financial Institutions

1. Investment banks
2. Commercial banks
3. Financial services corporations
4. Credit unions
5. Pension funds
6. Life insurance companies
7. Mutual funds
8. Exchange traded funds (ETFs)
9. Hedge funds
10. Private equity companies

Why are financial markets essential for a healthy economy and economic growth?

The two basic types of stock markets

The physical location exchanges

Electronic dealer based markets

Market Efficiency

Efficiency Continuum

