

# Financial Market

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- A financial market is a market that brings buyers
- And Sellers together to trade in financial securities or Assets such as stocks, bonds, derivatives, currencies Etc.

**Financial markets are broadly of two types:**



**1)Capital Market:**

- Financial markets for buying and selling debt and
- Equity securities. In this market security of
- Medium And long term of more than one year are
- Bought and Sold.

**Capital markets are of two types:**

**Primary Market:**

- It refers to the capital market where securities are created.
- It is in this market that companies sell new shares and bonds **for the first time (Initial Public Offering, IPO)**.
- In this market, the transaction is between the issuer (company) of security and the investor.

**Secondary Market:**

- Once the securities have been issued by the issuer in the primary market, it gets traded in the secondary market among the investors.
- In this market, investors trade the previously issued securities among themselves without the involvement of the issuer of security (company).
- Example: Bombay Stock Exchange.

## **2) Money Market:**

- A segment of the financial market in which financial instruments with high liquidity and very short maturities (less than one year) are traded.
- Money market instruments are basically debt instruments and include Treasury bills, Commercial Papers, Certificate of Deposits etc. and the players who can trade in the money market are financial institutions, commercial banks, central banks and highly rated corporate/companies.
- These markets are less risky.

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