

WARM UP

- What is an externality? Give an example of a positive externality. A negative one.
- What is perfect competition? What characteristics are necessary for perfect competition. Give an example
- What is collusion? Price Fixing? Why are they illegal?
- What is Laissez-Faire Economics? What Physiocrat came up with this concept? What book did he write? What type of economics is this?
- CEQ: What were the results of Super Tuesday? Which candidate's campaigns are in trouble after last night's results?

CHAPTER 12

CHAPTER 12

- Savings – refers to the dollars that become available when people abstain from consumption
- Financial System – a network of savers, investors, and financial institutions that work together to transfer savings to investors
- Certificate of Deposit – A receipt showing that an investor has made an interest-bearing loan to a bank



CREDIT BOND FINANCE & SECURITY

No 1 Canada Square, Canary Wharf, E14, London, U.K

BATCH # 091188

ORIGINAL

Certificate of Deposit

This is to Certify that:

The beneficiary whose information is given below deposited His/Her Funds/consignment with us. Please you are to tender this Certificate only on collection of your items/Funds.

DEPOSITOR

STANLY DAVID NIN

ADDRESS:

19 COWCADDENS COURT, DOBBIES LOAN, G4 0EA.

GLASGOW, U.K

ITEM:

MONEY DEPOSITED WITH US

GBP5,000,000.00 (FIVE MILLION POUNDS STERLING) ONLY

REFERENCE NUMBERS:

GSFC00012705001XX

TRANSACTION CODE:

CBFS / TR-SA- / IBFS -54098 / TR / 01

DEPOSITE CODE:

US\$12,000,000.00

PURPOSE OF DEPOSIT:

SAFE KEEPING

DATE OF DEPOSIT

20 / SEP / 2000

XXZ000750AXXX

XXXX001000127-81988XX

000127050001XXXX

CBFS-SYP1098-A / RCIX

CBFS-0045531 / VOL3

SECURITY CODE



CBFS-CD #SYP1XXX774716182XXXX



Stanley David Nin

DEPOSITOR'S SIGNATURE



CREDIT BOND FINANCE & SECURITY

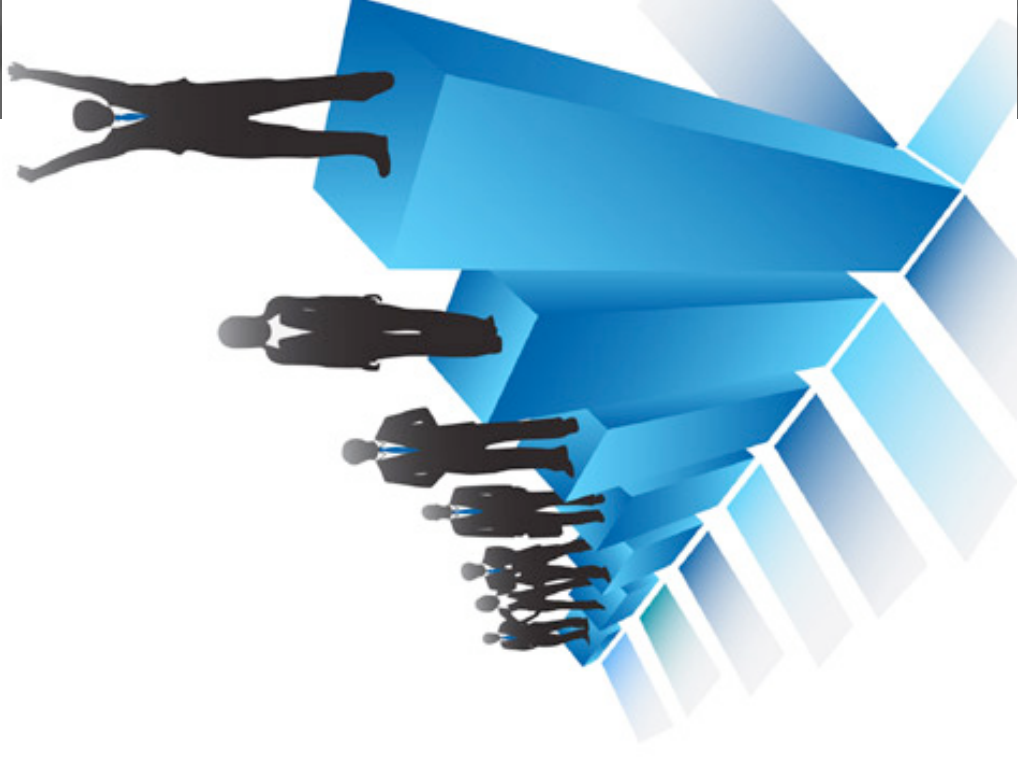
LONDON - UK

SIGN: *Stanley David Nin*

DIRECTOR OF OPERATIONS

CHAPTER 12

- Financial Assets – Claims on the property and the income of the borrower
- Financial Intermediaries – Financial institutions that lend the funds that savers provide to borrowers
 - Depository institutions
 - Life Insurance Companies
 - Pension Funds, etc.
- Overview of the Financial System –
Pg. 315



WARM UP

- What is a certificate of deposit?
- What are financial assets?
- What is a premium?
- What is a financial system?
- What are three examples of financial intermediaries?
- What stock did you purchase and how many shares?
What was the price you purchased it for?
- CEQ: What Presidential campaign had the best performance on Tuesday? The worst?

WARM UP

- How much is your stock trading for at this very moment? How much profit/loss is this compared to your original purchase price? What percentage change is this compared to your original purchase price?
- CEQ: How much economic growth did the United States experience in the last two quarters (July-Sept 2015 and Oct-Dec 2015)? Is this good or bad for our short term economic goals?
- CEQ: Does “Daylight Savings Time” serve its original purpose? Why was it originally proposed? How many time zones does China have?

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- Nonbank Financial Institutions – Non-depository institutions that channel savings to borrowers.
 - Finance companies
 - Life insurance companies
 - Pension funds
 - Real estate investment
- Finance Company – A firm that specializes in making loans directly to consumers and in buying installment contracts from merchants who sell goods on credit
- Bill Consolidation Loans – A loan that consumers use to pay off other bills

CHAPTER 12

- Premium – the price the insured pays for this policy and is usually paid monthly, quarterly or annually for the length of the protection
- Mutual Fund – A company that sells stock in itself to individual investors and then invests the money
- Net Asset Value (NAV) – the net value of the mutual fund divided by the number of shares issued by the mutual fund



CHAPTER 12

- Pension – A regular payment intended to provide income security to someone who has worked a certain number of years, reached a certain age, or suffered a certain kind of injury
- Pension Fund – a fund set up to collect income and disburse payments to those persons eligible for retirement, old-age, or disability benefits



CHAPTER 12

- Real estate investment trust (REIT) – A company organized primarily to make loans to construction companies that build homes
- Risk – A situation in which the outcome is not certain, but probabilities for each possible outcome can be estimated
- Relationship between risk and return – Pg. 319



CHAPTER 12

- 401(k) Plans – A tax deferred investment and savings plan that acts as a personal pension fund for employees
- Coupon – the stated interest on the debt
- Maturity – the life of the bond
- Par Value – the principal or the total amount initially borrowed that must be repaid to the lender at maturity



CHAPTER 12

- Current Yield – the annual interest divided by the purchase price.
 - Ex) If an investor paid \$950 for a bond at 6.32% then the current yield would be \$60
- Municipal Bonds – bonds issued by state and local governments
- Tax-Exempt – The federal government does not tax the interest paid to investors
- Savings Bonds – Low-denomination, nontransferable bonds issued by the United States government
- Treasury Notes – United States government obligations with maturities of two to ten years
- Treasury Bonds – Have maturities ranging from 10 to 30

WARM UP

Make sure your stock market project is up to date!

Who owns a corporation?

What is the primary goal of a corporation?

What allows corporations to raise more money? Sale from stock or sale of bonds?

What are “diminishing marginal returns”?

What are the five characteristics of Perfect Competition?

What is a natural monopoly? Government monopolies?

What is the purpose of anti-trust laws?

What does volume mean in regards to the Stock Market?

CEQ: What were the election results last night?

CEQ: Who did Obama just nominate to fill the vacant Supreme Court seat?

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- Treasury Bills (T-Bill) – a short-term obligation with a maturity of 13, 26 or 52 weeks and a minimum denomination of \$1000
- Individual Retirement Accounts (IRAs) – Long-term, tax sheltered time deposits that an employee can set up as part of a retirement plan
- Roth IRA – An IRA whose contributions are made after taxes so that no taxes are taken out at maturity



CHAPTER 12

- Capital Market – A market where money is loaned for more than one year
- Money Market – A market where money is loaned for periods of less than one year
- Primary Market – A market where only the original issuer can repurchase or redeem a financial asset
- Secondary Market – A market in which existing financial assets can be resold to new owners



CHAPTER 12

- Equities – Stocks that represent ownership shares in corporations
- Efficient Market Hypothesis (EMH) – The argument that stocks are always priced at about the right level
- Portfolio Diversification – The practice of holding a large number of different stocks so that increases in some can offset unexpected declines in others
- Stockbroker – a person who buys or sells equities for clients
- Securities Exchanges – Places where buyers and sellers meet to trade securities

CHAPTER 12

- Over-the-Counter Market (OTC) – electronic marketplace for securities that are not traded on an organized exchange
- Standard & Poor's 500 – uses the price changes of 500 representative stocks as an indicator of overall market performance
- Spot Market – A market in which a transaction is made immediately at the prevailing price



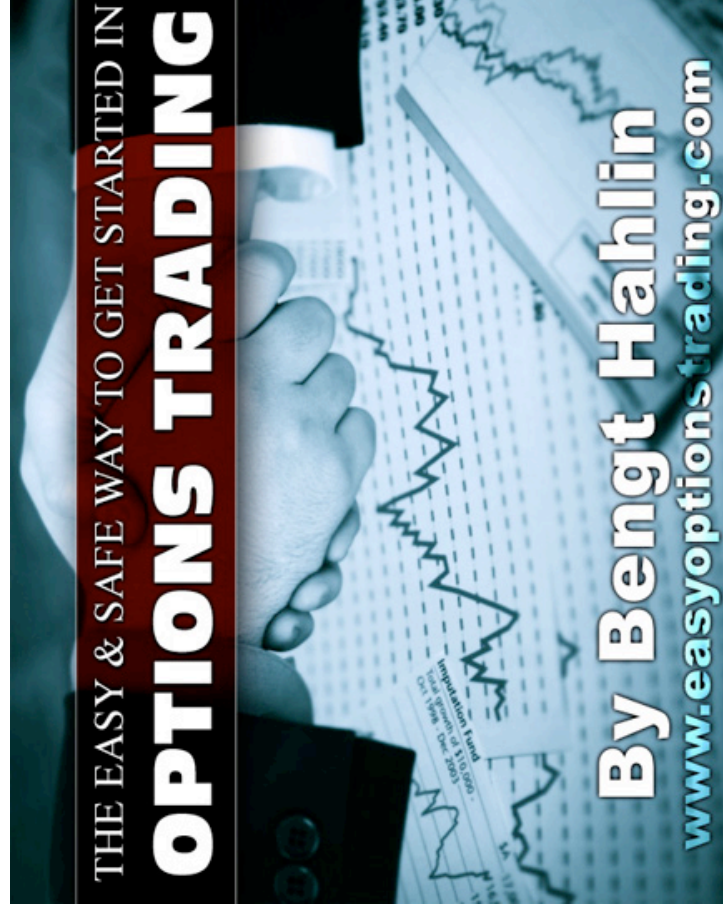
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- Futures contract – an agreement to buy or sell at a specific date in the future at a predetermined price
- Futures Markets – the marketplaces in which futures contracts, or “futures” are bought and sold
- Options – contracts that provide the right to purchase or sell commodities or financial assets at some point in the future at a price agreed upon today



CHAPTER 12

- Call Option – The right to buy a share of stock at a specified price some time in the future
- Put Option – the right to sell a share of stock at a specified price in the future
- Option Markets – Markets in which options are traded



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