

# **Financial Markets:**

## *A Comprehensive Overview*

### **Course Description**

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Financial markets represent the lifeblood of our global economy. These mechanisms promote greater economic efficiency by transferring funds from individuals, businesses and governments with an excess of available funds to those with a shortage. Funds are transferred in the financial markets through the purchase and sale of financial instruments (such as stocks and bonds). Short-term financial instruments are available in money markets, while longer-term financial instruments are purchased and sold in the world's capital markets. Many financial markets have been in existence for hundreds of years; however the modern era has brought along many new innovations such as securitization and the derivatives market.

This course provides an introductory overview of the world's largest financial markets, including the money, bond, stock, mortgage, foreign currency and derivatives markets. This course reviews the various types of financial risk that impact these markets, as well as the economic variables that influence market activity (such as interest rates and monetary policy).

**Completion Deadline & Exam:** This course, including the examination, must be completed within one year of the date of purchase. In addition, unless otherwise indicated, no correct or incorrect feedback for any exam question will be provided.

**Course Level:** Overview. This program is appropriate for professionals at all organizational levels.

**CPE Credits:** 10 (CPA)

**Category:** Finance

**Prerequisite:** None.

**Advanced Preparation:** None

### **Course Learning Objectives**

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#### **Chapter 1: Financial Markets & Intermediaries**

1. Identify the unique characteristics of financial markets.
2. Recognize the types of financial instruments traded in various financial markets.
3. Recognize the key aspects of the efficient market hypothesis.

4. Identify the roles that financial intermediaries play in financial markets; recognize the various types of financial intermediaries.

## **Chapter 2: Interest Rates**

1. Calculate 'simple' and 'compound' interest.
2. Identify how a bond's stated interest rate and its yield-to-maturity impacts the price at which it is traded.
3. Recognize how interest rates are derived under the 'loanable funds theory'.
4. Calculate a bond's yield given specific information regarding its risk structure.
5. Identify how a yield curve illustrates the term structure of interest rates; recognize various yield curve shapes and the theories behind them.

## **Chapter 3: Central Banking and Monetary Policy**

1. Recognize the role that the Federal Reserve System ("the Fed") plays in financial markets.
2. Identify the tools used by the Fed to conduct its monetary policy and explain how these tools impact the U.S. money supply.
3. Calculate the two measures used by the Federal Reserve to estimate the U.S. money supply (M1 & M2).

## **Chapter 4: Money Markets**

1. Recognize the primary characteristics the money markets.
2. Identify the types of financial instruments that would be traded in the money markets.
3. Recognize how money market instruments would be utilized by market participants given specific scenarios.

## **Chapter 5: Capital Markets (Part I)**

1. Recognize the primary characteristics the bond and stock markets.
2. Identify the unique attributes of Treasury, municipal and corporate bonds.
3. Calculate the taxable equivalent yield of a municipal bond.
4. Recognize the differences between common and preferred stock.
5. Locate specific information included in standard bond and stock price quotations.

## **Chapter 6: Capital Markets (Part II)**

1. Identify the primary characteristics the mortgage market and recognize the various types of mortgage loans.
2. Recognize the roles that financial institutions play in the mortgage-lending process.

3. Identify the criteria used by mortgage lenders in the underwriting process.
4. Identify the unique attributes of mortgage-backed securities.

## **Chapter 7: Foreign Exchange Markets**

1. Identify the primary characteristics of the foreign exchange markets.
2. Translate direct and indirect foreign exchange quotes.
3. Recognize the economic factors that influence foreign exchange rates.
4. Identify the differences between foreign exchange spot and forward contracts.
5. Recognize how arbitrage profits are earned in foreign exchange markets.

## **Chapter 8: Derivatives Markets**

1. Identify the various types of risk that impact financial markets.
2. Recognize the types of instruments traded in derivatives markets.
3. Identify the unique characteristics of forwards, futures, swaps and options.