Financial markets and institutions

Finance

Financial Markets and s affiliation Due Role and function of financial markets and s in a modern economy The role of financial markets and institutions like capital markets and depository institutions is to offer an ideal avenues for the exchange and trade of securities and mediate between institutions or people to enhance a transaction between them (Howells and Bain, 2007).

The properties or features of commercial papers

Commercial papers are used to finance short-term financial requirements of the company as and when they fall due. They are flexible and available in any denomination and ave associated low risks as they are traded with companies that bear high credit ratings (SCHWAB and LYNCH, 2003).

Properties of negotiable certificates of deposit

Negotiable certificates of deposits bear low risks as they are traded with companies which have a good liquidity position. They have low interest rates in terms of a constant fixed rate or settled upon maturity and are short term.

Features of Repurchase Agreements

Repurchase agreements are short-term, meant to settle the expenses of operation and have associated low risk levels.

Reverse repurchase agreements are securities in the money market provided by a cash provider who trades the instruments at increased rates (Spivey, 2012).

Features of Banker’s acceptances

Banker’s acceptances are the basic short-term debts obtained by banks and bear deductions from the face value.

Letters of Credit are bank guarantees usually taken by the importer to assure the exporter of the goods that they will be settled fully.

Exchange Traded Funds are a category of exchange-traded investment artefacts registered under the 1940 SEC Act as funds or unit investment trusts (MishkiN and Eakins, 2012).

The Aljazira capital Document 2014 document covers issues that appertain to: calendar anomalies, the effect of valuation on the performance of a company in the market and technical pointers in a trending market among others. Some of the anomalies include the best performance of the index upon trading on the first day of the week with a strategy of selling the holdings on Sunday and avoiding to buy them on the same day. The other anomaly includes the monthly returns differentiated across that necessitates investing in a short-term gain before the Ramadhan period.

Shadow Banking – development of, comparison and challenges to conventional banking (40% weighting)

Shadow banking is an interconnection of specific financial institutions that have no banking permits like Money markets and Special Purpose Entity Conduits (Brycce, 2000) meant to inspect and ensure secure funding from the savers to investors of finances. Shadow banks transform home mortgages into securities through mortgages being regarded as a pack of loans to back up a security sold by investors. On the other hand, Conventional banks raise funds through the depositors who have surplus and through lending to other individuals who have limited funds.

References

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