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SINGLE-STOCK

FUTURES

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These markets provide a permanent venue for savers and borrowers, and which render financial services whenever required by their customers. These services are made possible by the financial markets through expediting the creation and trading of financial instruments



INDIRECT FINANCING
is when borrowers borrow funds from the financial market through indirect means, such as through financial intermediaries.

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SAVING THROUGH
SAVINGS BANKS
AND BOARDS

CLASSIFICATION OF FINANCIAL MARKETS
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1. Money Markets
2. Capital Markets
3. Derivatives Markets
4. Commodity Markets

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* SURPLUS SPENDING UNITS

* DEFICIT SPENDING UNITS

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BENEFITS OF FINANCIAL MARKETS

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1. funds are directed to DSUs which can use them most efficiently; and
2. liquidity is provided to savers.

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WHY FIRMS

INVEST

AND BORROW?

METHODS BY WHICH FINANCIAL MARKETS TRANSFER FUNDS:

DIRECT FINANCE

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is a method of financing where borrowers borrow funds directly from the financial market without using a third party service, such as financial intermediary.

*DISADVANTAGES:

1. There are few DSUs which can transact in the direct market because the denominations of securities sold are very large (usually millions of pesos)
2. It is difficult to match the requirements of SSUs and DSUs in terms of denomination, maturity, and other factors.

METHODS OF DIRECT FINANCING

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1. private placements;
2. brokers and dealers; and
3. investment brokers

Indirect finance

Lenders-Savers
1. Households
2. Business firms
3. Government
4. Foreigners

Financial
intermediary

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Financial
Markets

Borrowers-Spenders
1. Households
2. Business firms
3. Government
4. Foreigners

Direct finance

