

## Types of Securities Markets

**Money Market:** the market where short-term securities are bought and sold

**Capital Market:** the market where long-term securities such as stocks and bonds are bought and sold

- **Primary Market:** the market in which new issues (initial public offering [IPO]) of securities are sold to the public
- **Secondary Market:** the market in which securities are traded after they have been issued
  - Provides liquidity to security purchasers
  - Provides continuous pricing mechanism
  - Types: Securities Exchanges, Nasdaq Market, Over-the-counter (OTC) Market

### Capital Markets: Bond vs. Stock

- A bond is a **debt** instrument while stock is an instrument of **ownership**.
- Bond interest payments are fixed; regular stock dividends are contingent on earnings and declaration by company's board; preferred stock pays a fixed dividend

<b>Basis for Comparison</b>	<b>Money Market</b>	<b>Capital Market</b>
Meaning	Financial market for short-term lending and borrowing	Financial market for long-term securities
Financial Instruments	U.S. Treasury bills (T-bills), commercial bills, trade credit	Stocks & Bonds
Risk Factor	Low	Comparatively high
Time Range	Less than a year	More than a year
Return on Investment (ROI)	Relatively small	Comparatively high