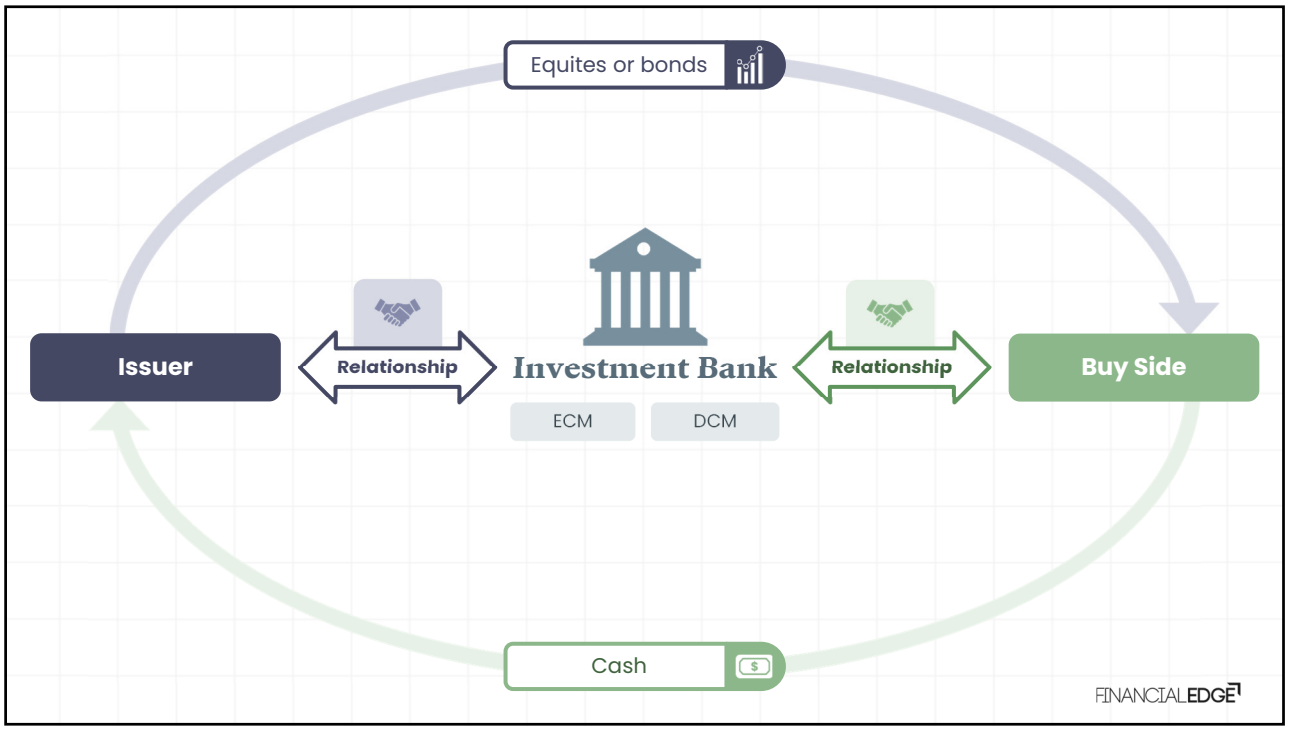
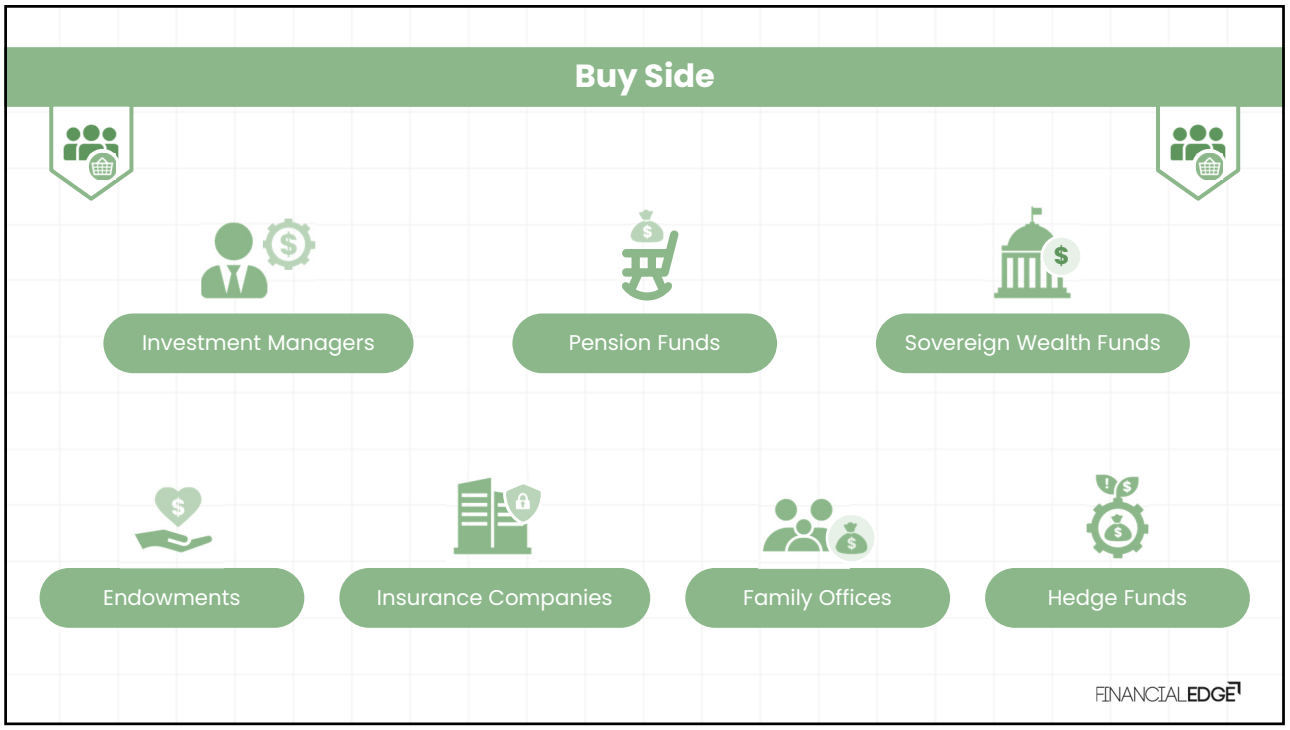




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Secondary Markets



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Why Does a Trade Get Initiated?

Speculation	Accumulation	Hedging





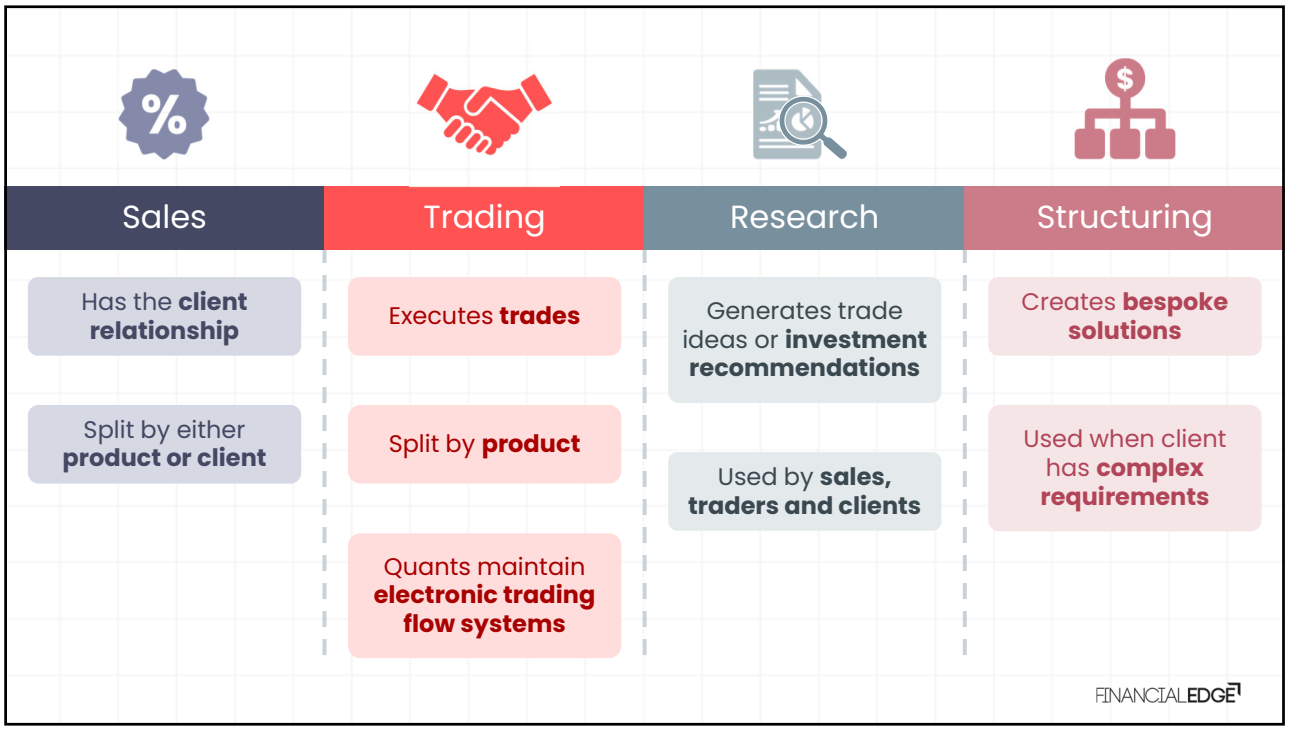


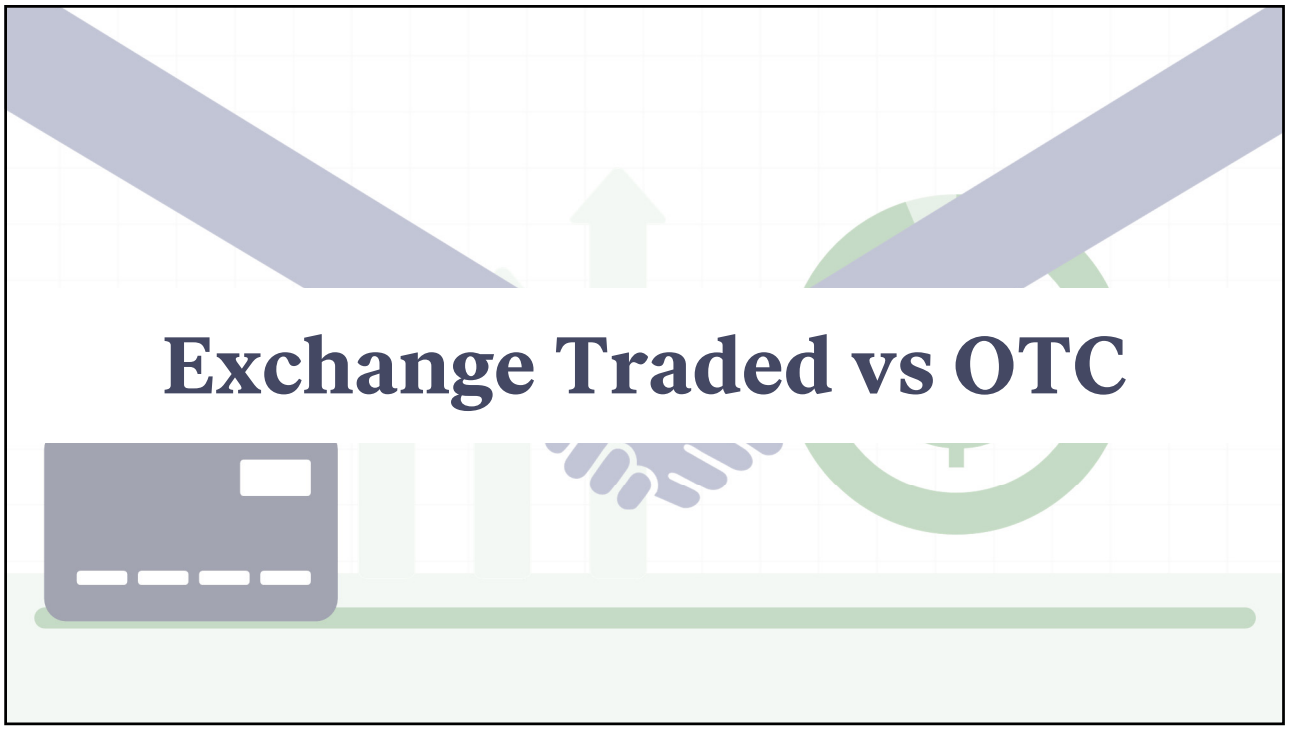
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Sales, Trading and Research



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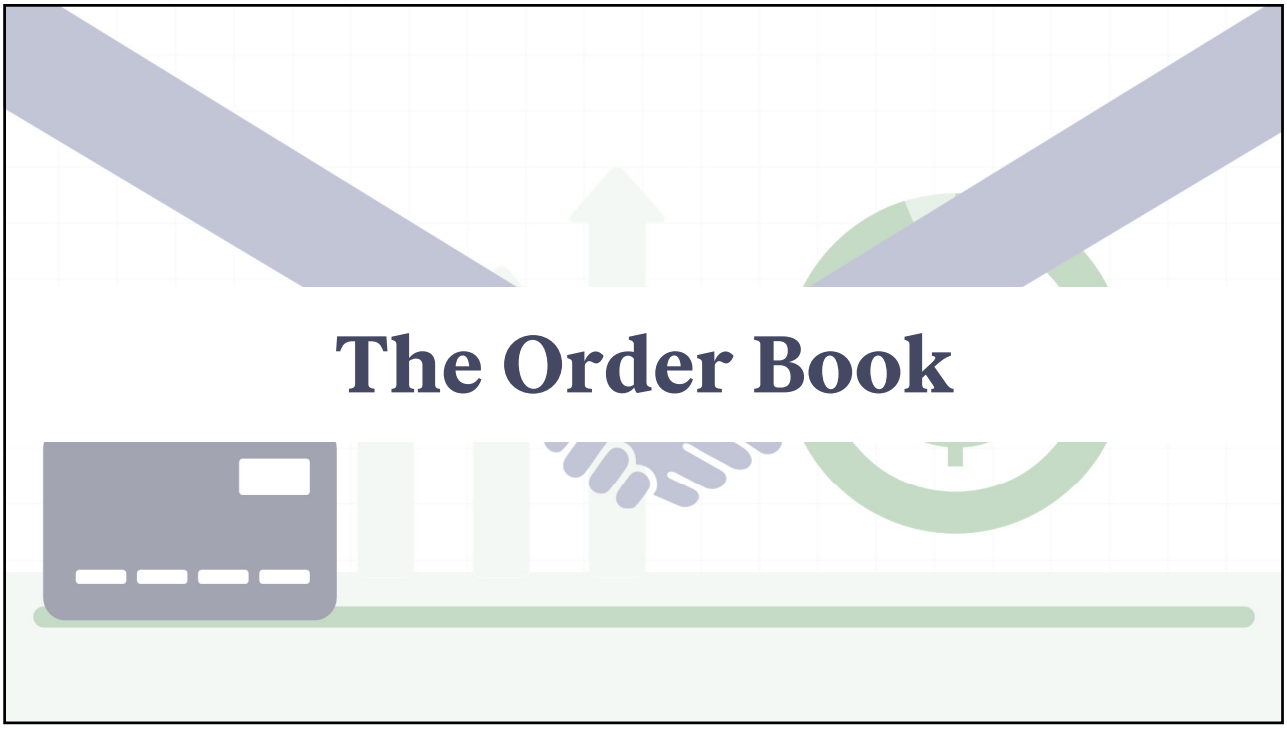




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Over the Counter (OTC)	Exchange Trading
Market makers quote prices (both bid and offer) that they are **willing to trade at**	Orders placed by **market participants** are matched by **the exchange**
If a client requests to trade at a **quoted price,** the market maker is **obligated to trade at that price**	If a trade cannot be matched, it is added to a **log of unmatched trades,** called the **order book**
Quote driven market	**Order driven market**
Market makers profit via **the bid-ask spread**	

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1. The Order Book will typically with be visible to **all market participants**

2. The order book displays unmatched buy and sell limit orders for **a particular security**

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Company A

Buy orders ranked from **highest to lowest price**

Size	Price	Price	Size
5,000	105	107	2,500
1,000	104	109	3,000
4,500	103	110	4,000
		110	1,000

Sell orders ranked from **lowest to highest price**

Orders of equal price are **ranked by time**

This order book process is only true **for an electronic** (or screen based) **exchanges**

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Limit Orders

Company A

Size	Price	Price	Size
5,000	105	107	2,500
1,000	104	109	3,000
4,500	103	110	4,000
		110	1,000

Company A

Size	Price	Price	Size
1,500	109	110	4,000
5,000	105	110	1,000
1,000	104		
4,500	103		

A limit order **specifies the volume and price** at which the exchange member would like to **execute a trade**

A limit order to buy **7000 shares** at 109 would be executed by **matching 2,500 shares** at **107 and 3,000 at 109.** The **remaining 1,500 shares** appear at the top of the buy side of **the order book**

Limit orders guarantee an **execution price,** but there is no **certainty of execution**

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Market Orders

Company A

Size	Price	Price	Size
5,000	105	107	2,500
1,000	104	109	3,000
4,500	103	110	4,000
		110	1,000

Company A

Size	Price	Price	Size
5000	105	110	2,500
1,000	104	110	1,000
4,500	103		

A market order specifies only **the volume** at which the **exchange member** would like to **execute a trade**

A market order to buy **7000 shares** would be executed by matching **2,500 shares at 107, 3,000 at 109** and the remaining **1,500 at 110**

Market orders guarantee execution, but there is no **certainty of execution price**

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AAPL Description Screen



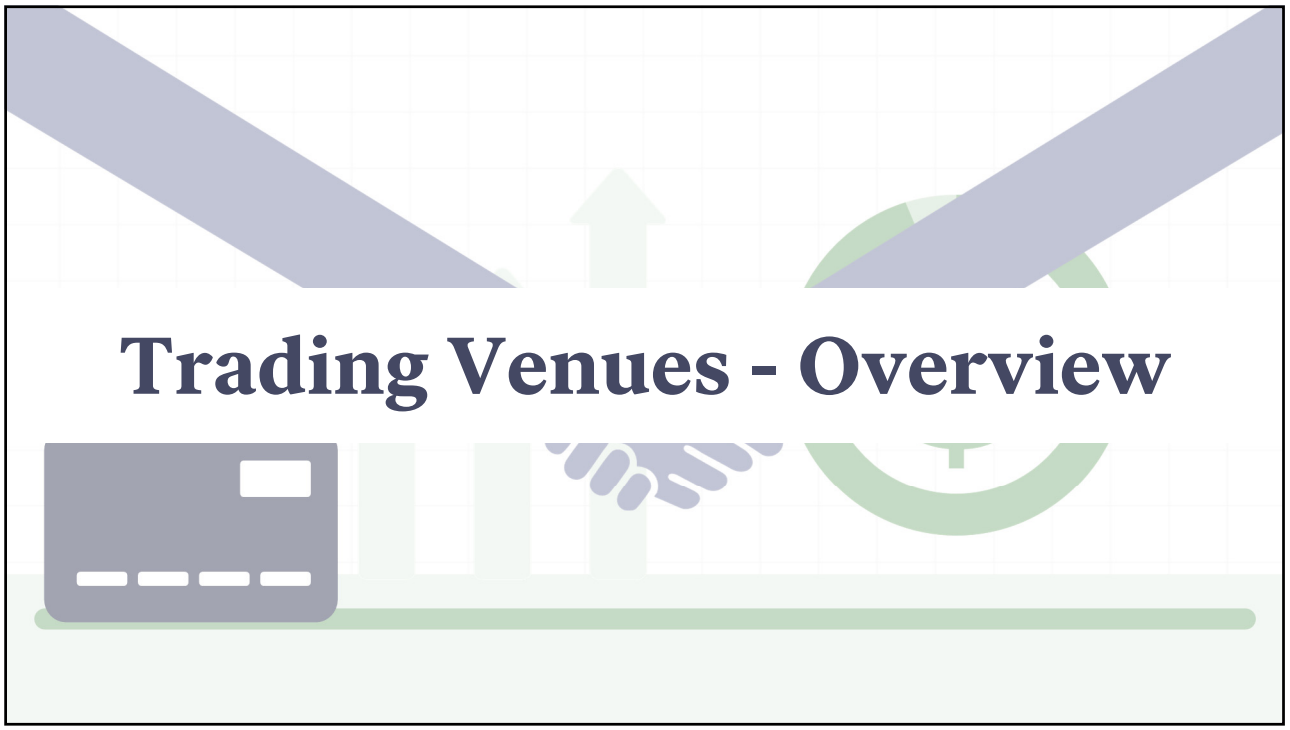
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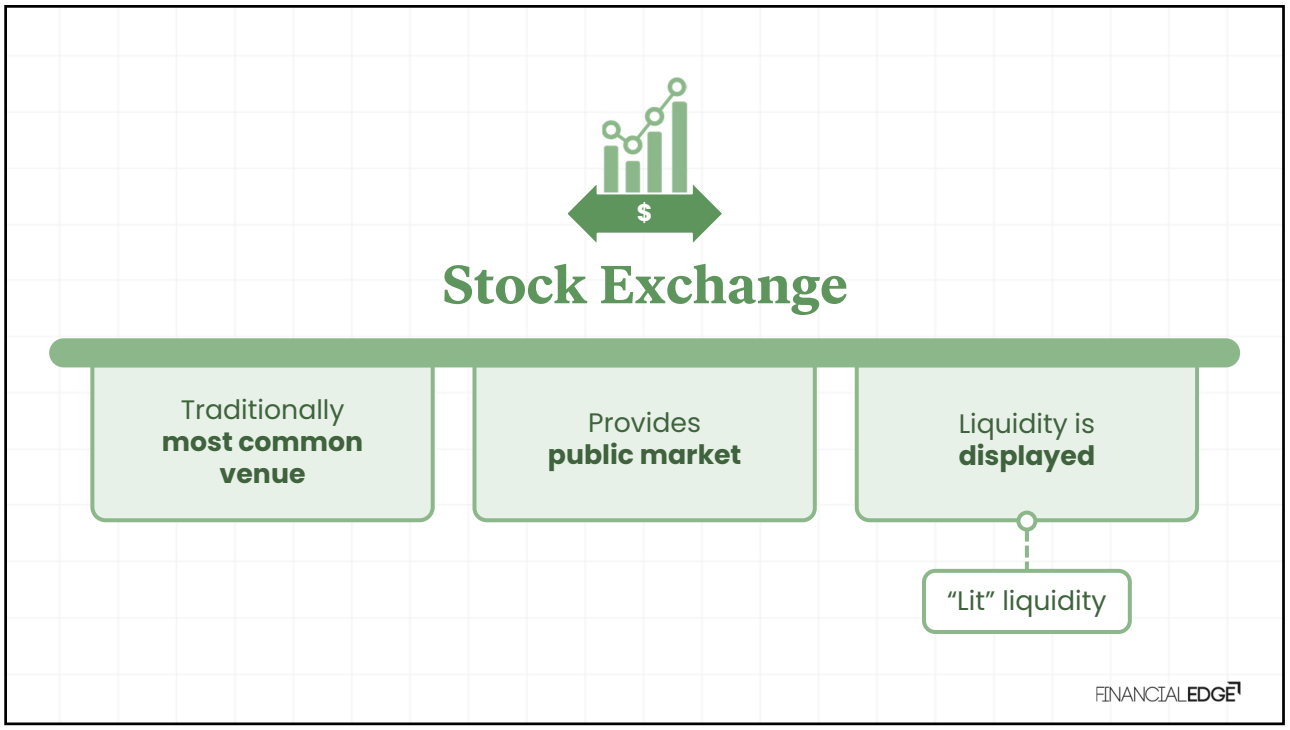
Main Traditional Stock Exchanges

Stock Exchange	Country	2023 Market Cap (USD trillions)
New York Stock Exchange	USA	22.8
NASDAQ	USA	16.2
Shanghai Stock Exchange	China	6.7
Euronext	Europe	6.1
Japan Exchange Group	Japan	5.4
Shenzhen Stock Exchange	China	4.7
Hong Kong Exchanges	Hong Kong	4.6
NSE	India	3.3

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"Dark Pools"

- Gained popularity **through 2000s**
- Provides **private market**
- **Liquidity is not displayed** – preferred venue for large trades
  - "Dark" liquidity

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Other Alternative Trading Systems

- **Electronic communications networks**
- **Crossing networks**
- And more...

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Two market makers are offering to buy or sell the **same underlying security**

Market Marker One

Bid	1,200
Offer	1,400

Market Marker Two

Bid	1,300
Offer	1,500

A buy side client wants to buy	A buy side client wants to sell
Who do they buy from?	Who do they sell to?

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Description Screen

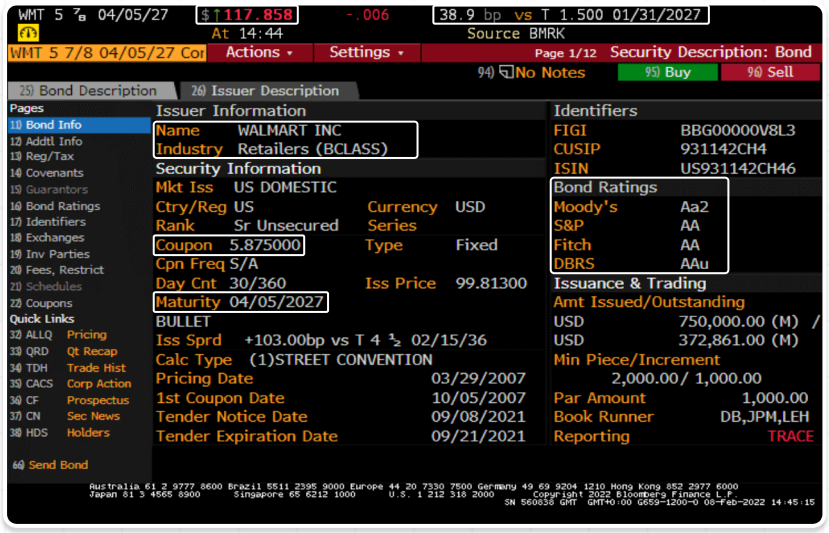
US Treasury Description Screen



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Walmart Description Screen



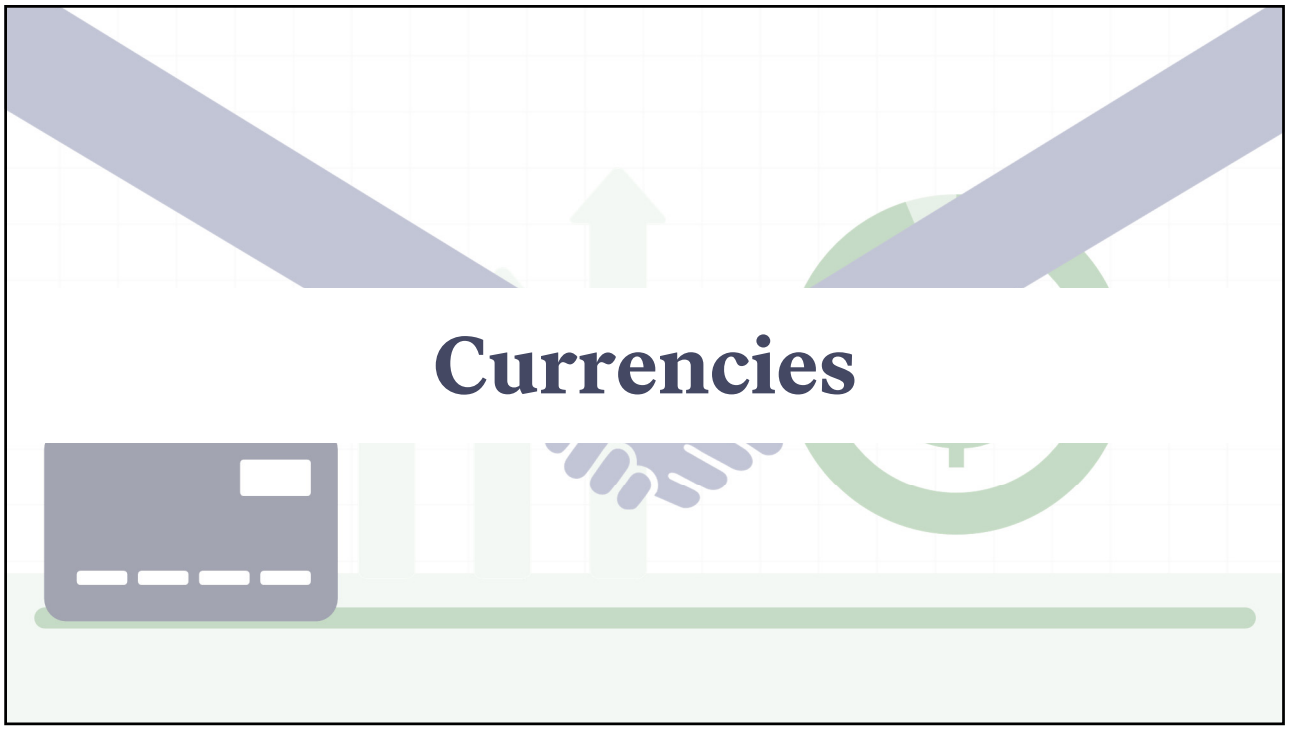
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Credit Rating

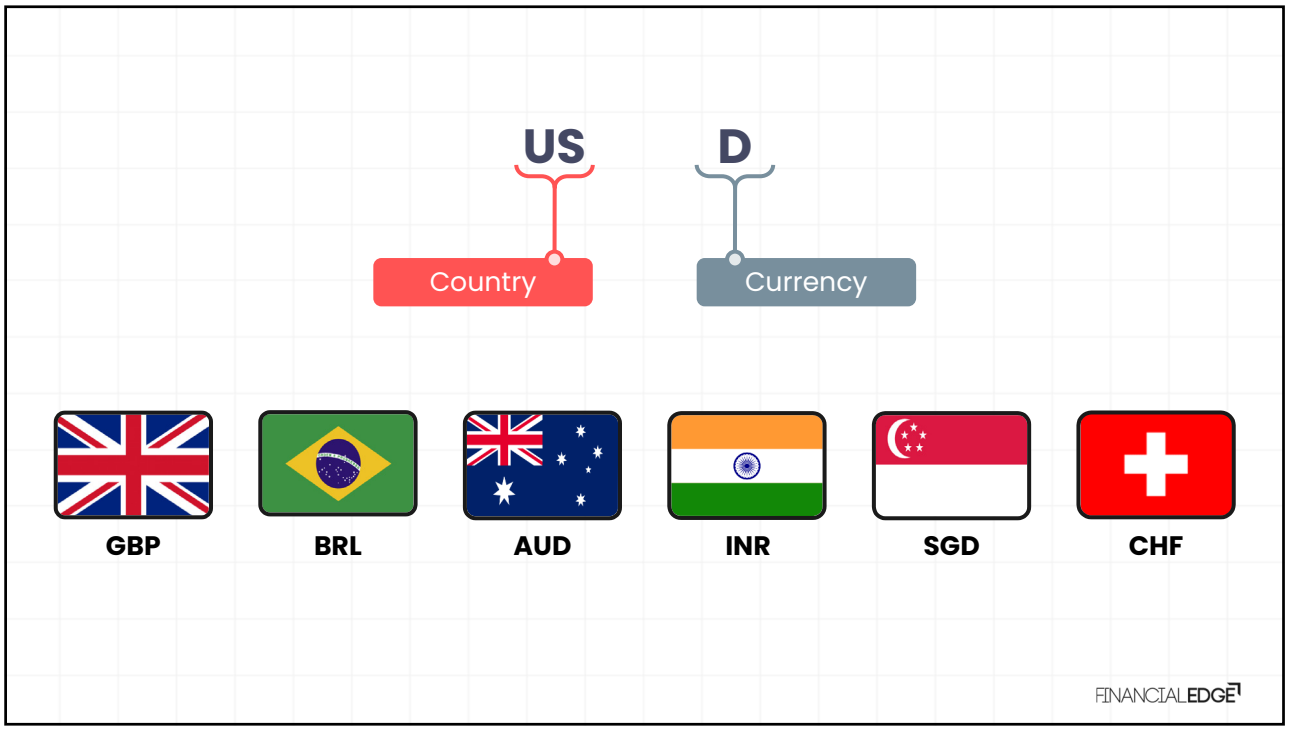
Moody's	S&P	Definition
Aaa	AAA	• Prime • Maximum safety
Aa1 Aa2 Aa3	AA+ AA AA-	• High grade • High quality
A1 A2 A3	A+ A A-	Upper medium grade
Baa1 Baa2 Baa3	BBB+ BBB BBB-	Lower medium grade

Moody's	S&P	Definition
Ba1 Ba2 Ba3	BB+ BB BB-	• Non-investment grade • Speculative
B1 B2 B3	B+ B B-	Highly speculative
Caa1 Caa2 Caa3	CCC+ CCC CCC-	Substantial risk
-	D	

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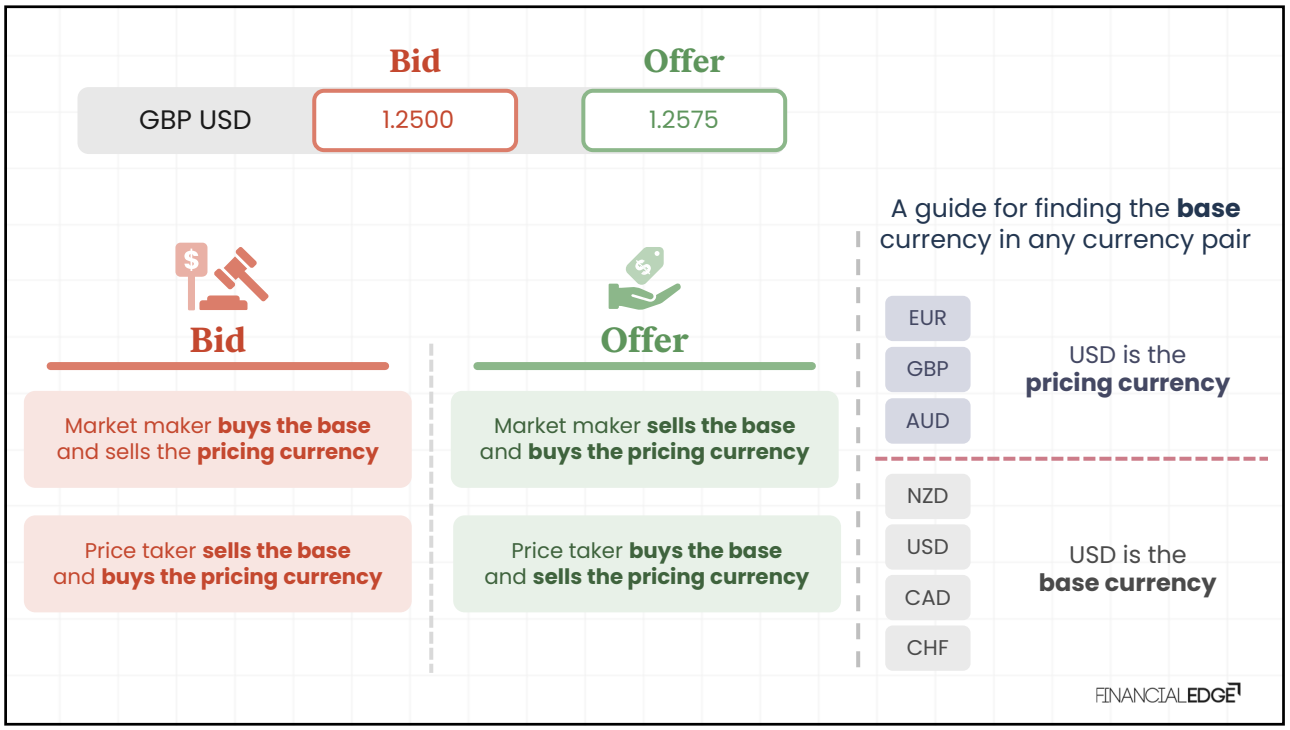


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