

Lesson 37: Financial Markets

Mini-Lecture Version (30 min)

Digital Finance

Learning Objectives: Understand the structure of modern financial markets — Identify key market participants: buy-side, sell-side, intermediaries — Recognize roles of exchanges, clearinghouses, and regulators — Comprehend market infrastructure and trading venues

Primary Markets

- New securities issued
- IPOs and bond issuances
- Direct capital raising
- Underwriters coordinate

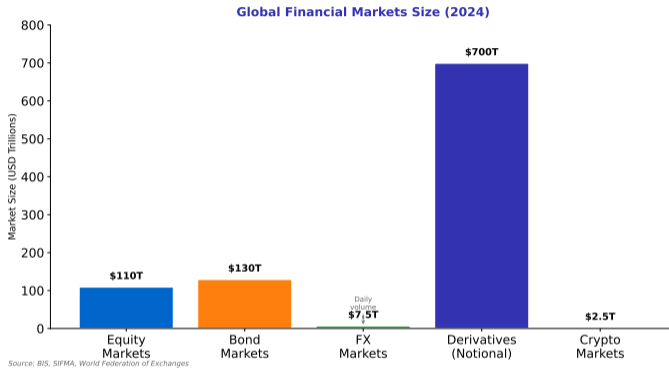
Secondary Markets

- Existing securities trade
- Provides liquidity
- Price discovery mechanism
- Exchanges and OTC

Market Categories: Equities, Fixed Income, Derivatives, FX, Commodities

This concept is fundamental to understanding Financial Markets.

Market Structure Overview



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Buy-Side Institutions

- Asset managers
- Pension funds
- Insurance companies
- Hedge funds
- (See full lecture for details)

Sell-Side Institutions

- Investment banks
- Broker-dealers
- Market makers
- Prime brokers
- (See full lecture for details)

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Asset Managers

- Mutual funds
- ETF providers
- Active management
- Passive indexing
- (See full lecture for details)

Hedge Funds

- Alternative strategies
- Long/short equity
- Quantitative trading
- Event-driven
- (See full lecture for details)

Pension Funds: \$50+ trillion globally (2024), long-term horizon

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Investment Banking

- Underwriting services
- M
- Capital markets
- Syndication
- (See full lecture for details)

Top Firms: Goldman Sachs, Morgan Stanley, JP Morgan, Citi

Broker-Dealer Functions

- Execute client orders
- Market making
- Liquidity provision
- Prime brokerage
- (See full lecture for details)

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Market Makers and Liquidity Providers

Role: Continuous bid-ask quotes, facilitate trading

Functions

- Provide two-sided quotes
- Reduce bid-ask spreads
- Absorb temporary imbalances
- Earn spread revenue

Technology: High-frequency trading, co-location, low latency

Examples

- Citadel Securities
- Virtu Financial
- Jane Street
- Flow Traders

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Major Exchanges

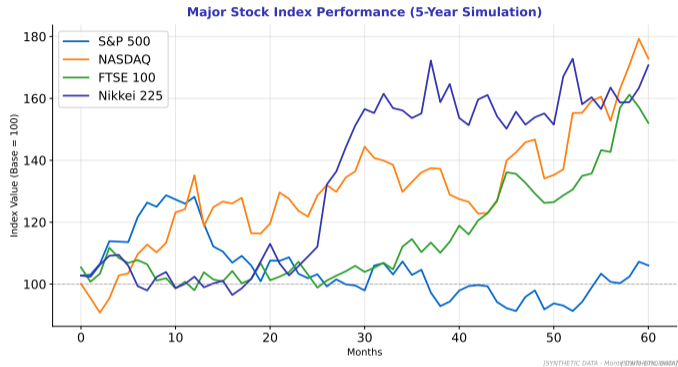
- NYSE (New York)
- NASDAQ (US)
- LSE (London)
- Euronext (Europe)
- (See full lecture for details)

Trading Hours: NYSE 9:30-16:00 EST, after-hours 4:00-20:00

Functions

- Order matching
- Price discovery
- Listing standards
- Market surveillance
- (See full lecture for details)

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Key Takeaways

- ① Understand the structure of modern financial markets
- ② Identify key market participants: buy-side, sell-side, intermediaries
- ③ Recognize roles of exchanges, clearinghouses, and regulators
- ④ Comprehend market infrastructure and trading venues

Bottom Line: Financial Markets is transforming how financial services operate and compete.

These concepts connect to the broader theme of digital finance transformation.



Technology view



Application view



Future view

Visual representations help reinforce key concepts of financial markets.

Concrete Examples: Making It Real

Technical Examples

- Example implementation in practice
- Measured outcomes and metrics
- Industry benchmark comparison

Case Study

- Real-world deployment scenario
- Quantifiable results achieved

Industry Leaders

- Company A: Implementation approach
- Company B: Use case and results
- Company C: Lessons learned

Market Data

- Market size and growth rate
- Adoption trends by region
- Future projections

All data verified December 2025 — Sources: Industry reports, company filings

Quiz Questions (1–5)

Q1. What is the primary purpose of financial markets?

- A) Increase efficiency B) Reduce costs C) Improve access D) All of the above

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Answer: D – All these factors contribute to the value proposition.

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A) APIs B) Blockchain C) Machine Learning D) Cloud Computing

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Q10. What is a key takeaway about financial markets?

- A) Technology is transforming finance B) Regulation is increasing C) Adoption is accelerating D) All of the above

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Answer: D – All these trends are interconnected.