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# Intro to Financial Industry & Asset Classes

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### Brain Teaser

The mean, median, and range of a set of eight integers are all equal to 8. What's the largest number that can be part of the set?







### Solution: Brain Teaser

Solution: 14

Explanation: 16 can't be the highest number, because the range is 8 and that would force all the numbers to be at least 8. If all the numbers are at least 8, with one 16, then the mean cannot be 8, so 16 (and above) doesn't work.

15 cannot be the highest number. Since the mean is 8, this means the eight numbers sum to 8 \* 8 = 64. If 15 is the highest number, then all the numbers in the set are at least 7, since the range is 8. If the sum of the set is 64, then the sum of the other seven numbers is 64-15=49. This means that all the other numbers in the set would be 7 if 15 was the highest number. But {7,7,7,7,7,7,15} fails, because its median is 7, not 8.

14 does work; the set  $\{6,6,6,8,8,8,8,14\}$  satisfies the criteria.



# Portfolio Team Application

### **\*** Timeline:

- Opens on <u>Friday, Sep 13<sup>th</sup>, 11:59pm</u>
- Closes on <u>Friday, Sep 20<sup>th</sup></u>, <u>11:59pm</u>

Eligibility: open to all NYU students

### **Application Process:**

- and submit it

All instructions will be on the front page of our website, and emailed to everyone on our mailing list

Fill in Google form (admin details & portfolio preference) Combine your resume and application response into a single PDF



# Portfolio Team Open House

### ✤ Date & Time

- Wednesday, Sep 18<sup>th</sup>, 7pm
- Location TBD

### Investment Pitches:

- questions you may have
- and learn more about what they do

\* Food will be served  $\odot$ 

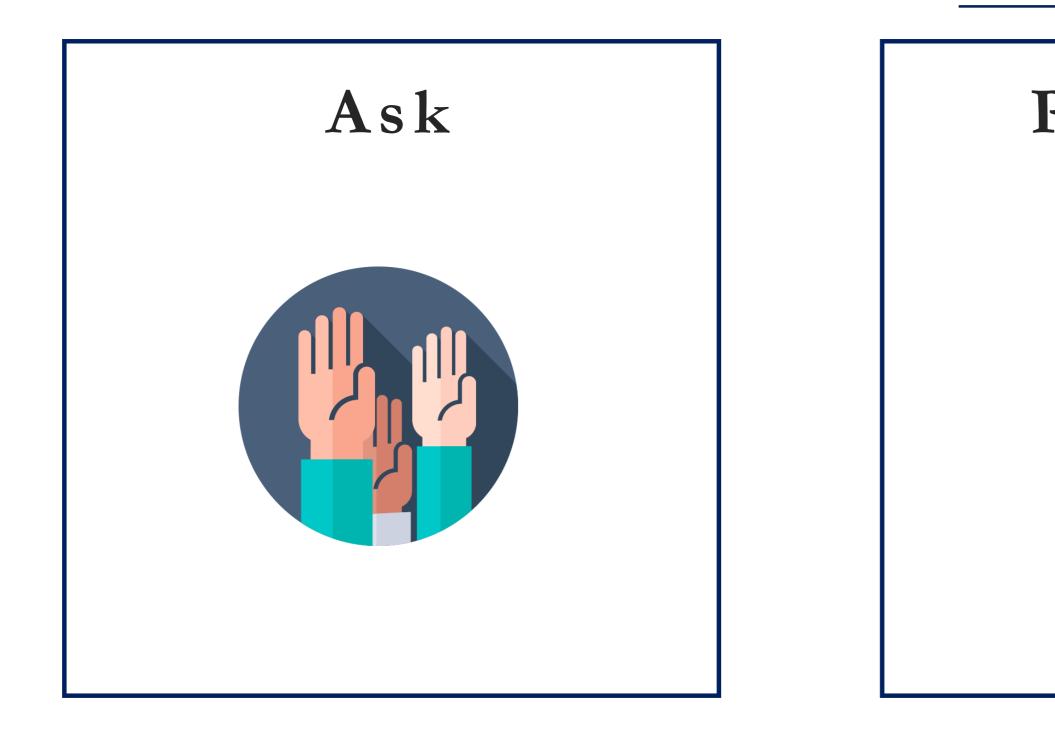
• Each portfolio team will present a pitch to give you more insights on what our portfolios focus on & their investment strategies You are encouraged to participate during the pitches and ask any

• You will also get a chance to talk to members of the portfolio team









# Expectations













### What is a Financial Market?

- have them, to people who need them, for a price
- who have it (investors) to people who need it (issuers)
- between investors)

Market is a mechanism where goods are transferred from people who

Capital markets are where capital (money) is transferred from people

Capital markets consist of the primary market (new securities are issued and sold) and secondary market (already-issued securities are traded





### What is a Financial Market?



What are two types of capital you can raise?





Investors



Have spare capital

# How Does Money Flow?

### Issuers

Capital

Return



### WATER WORKS

If one Utility is owned, rent is 4 times amount shown on dice.

If both Utilities are owned, rent is 10 times amount shown on dice.



### ELECTRIC COMPANY

If one Utility is owned, rent is 4 times amount shown on dice.

If both Utilities are owned, rent is 10 times amount shown on dice.

### Require capital





### How Does a Bank Make Money?

How many people here have a credit or debit card with Chase?

How does Chase make money?







### Customer Facilitation

- Investment Banking: Facilitate the buying and selling of businesses
- Sales & Trading: Making markets for clients

### Asset & Risk Management

- individuals
- pensions
- and borrowing money

### Breaking Down an Investment Bank

**Private Wealth Management:** Invest on behalf of wealthy

Asset Management: Invest on behalf of institutional money /

**Commercial Banking:** Lending

### Market Intelligence

Market Research: Gather industry information and trade ideas (eg. Equity, Credit, and Macro Research)







- different categories
- https://www.goldmansachs.com/careers/divisions/

### Breaking Down an Investment Bank

Let's take a look at Goldman Sachs' divisions and see if they fit the







# Divisions Within Investment Banking

### Mergers & Acquisitions

• Advise on buying and selling of businesses

### Equity Capital Market

• Advise on IPOs and secondary offerings

### Debt Capital Market

• Advise on debt raising & refinancing

### Restructuring

• Advise on situations of financial distress





# Other Players in the Financial Market





Buy-Side Investors Central Banks \* Regulators





# **Buy-Side Investors**

- ✤ Vary in size can range from \$50 million to \$5 trillion
- \* Examples:
  - Hedge Funds
  - Private Equity
  - Venture Capital

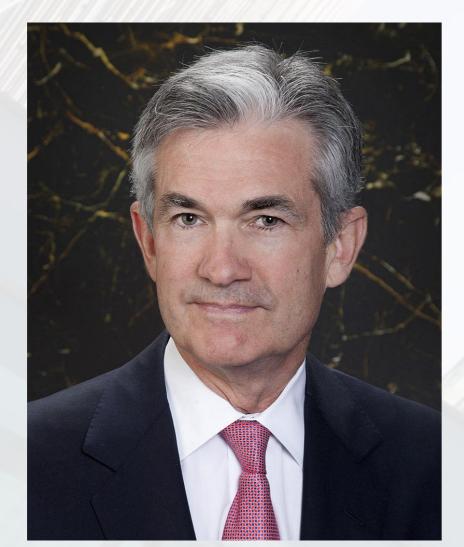
Funds that purchase stocks, securities, and other financial products based on the needs and strategy of their company's or client's portfolio needs.

Make direct investments in public and private markets, rather than just assist the investing market with recommendations (sell-side)

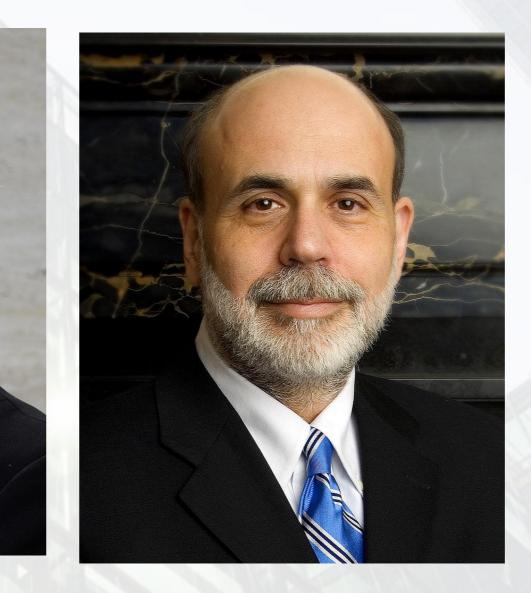




### Central Banks













### Central Banks

- An **independent** national authority that conducts monetary research
- ✤ What is the dual mandate of the Fed?

policy, regulates banks, and provides financial services including economic

Central Banks have the important role of setting the interest rate so as to manage economic growth, inflation, and the country's exchange rate

What are some examples of Central Banks outside of the US?





# Regulators

The objectives of financial regulators are to maintain market confidence, ensure financial stability, and provide consumer protection

There are many different types of regulators – eg. Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), Commodity Futures Trading Commission (CFTC), etc.





# Asset Classes

Grouping of investments that exhibit similar characteristics, behave similarly to one another, and are subject to the same laws and regulations





- Equity
- Fixed Income
- Commodities
- Currencies
- \* Derivatives







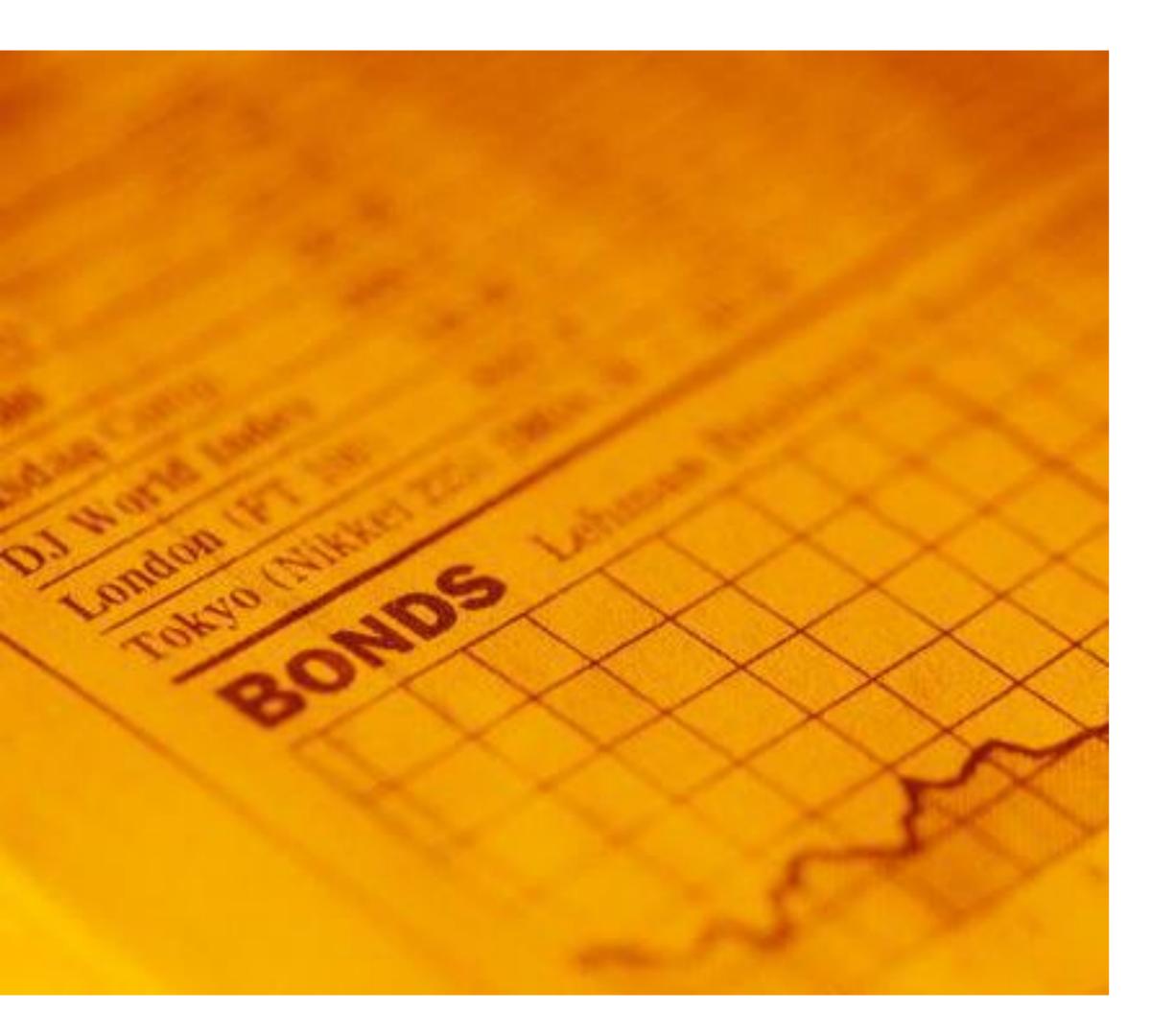
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7,284	10.53	1.74	6.09	1.30	1.97	2.95	17.02	25.25	6.34			245	517	0.36 :

# Equity

- A share of stock is basically a piece of ownership in a corporation – entitles stockholder to that proportion of the corporation's assets and earnings
- Bought and sold predominantly on global stock exchanges (NYSE, NASDAQ, FTSE, TSE)
- What does it mean to long or short a stock?
- How do you short a stock?
- ETFs (exchange-traded funds) a collection of securities, such as stocks, that tracks an underlying index
  - Eg. S&P 500







### Fixed-Income

- Investment security that pays investors fixed interest payments until its maturity date
- Relates to credit (debt) of a company or a country
- Eg. Give me \$100 now, and I will pay out back the \$100 + extra compensation back (generally coupons from interest rate)
- What's an example of a fixed-income security that is common to households?
- If you are deciding between investing in fixedincome asset versus equity, which one is usually safer? Which one do you think you should expect a higher return from?







# Commodities

Basic good used in commerce – most often used as inputs in the production of other goods

### \* Agricultural:

- Grains: corn, soybean, wheat
- Softs: cocoa, coffee, sugar, frozen concentrated orange juice
- Livestock: cattle, hogs

### \* Metals:

- Industrial: copper, aluminum, iron, nickel, zinc
- Precious: gold, silver

### **&** Energy:

- Oil: WTI, Brent
- Distillates (Refined Products): heating oil, gasoline





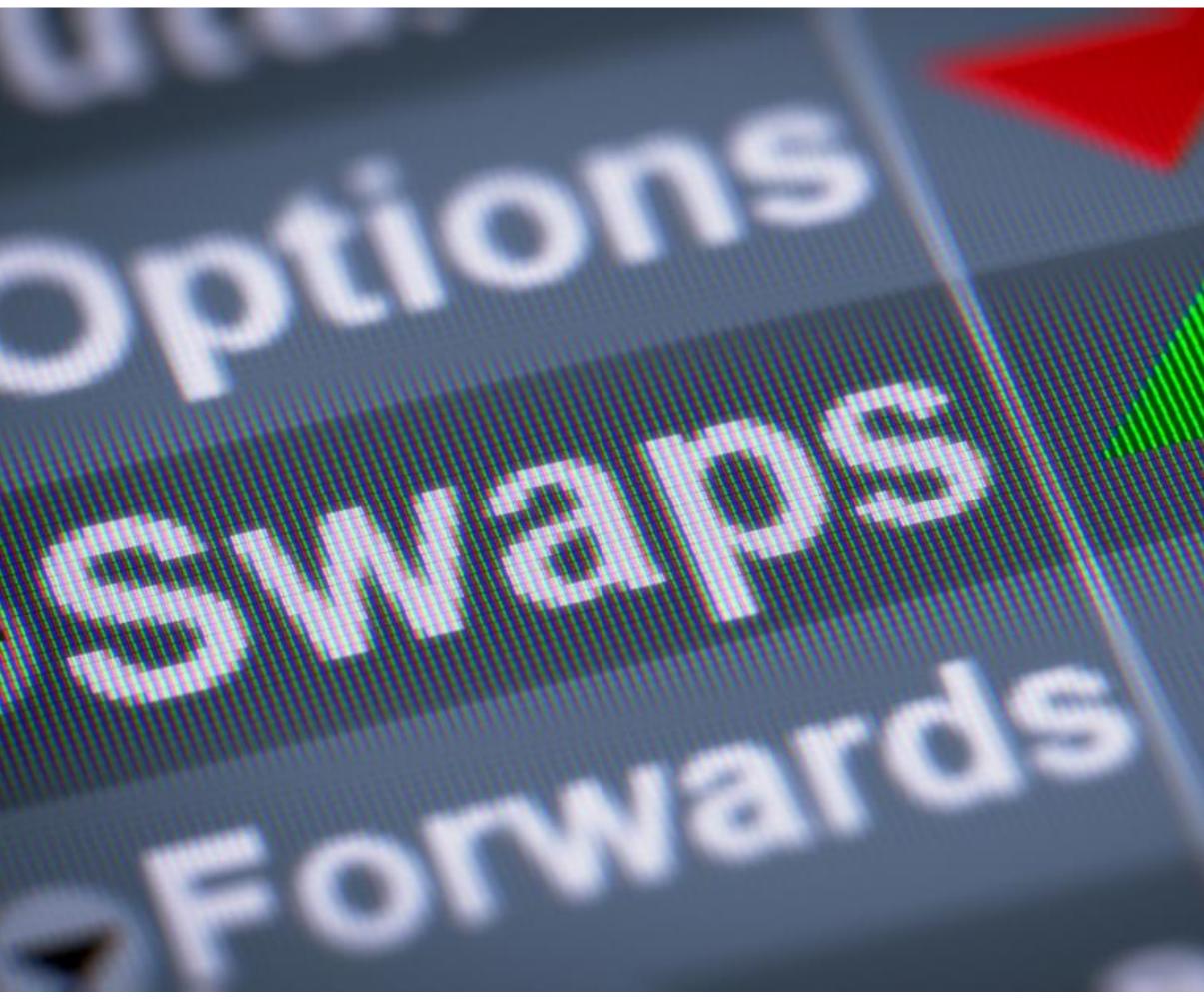


### Currencies

- Any country's currency
- Why do you need to pair two currencies when you make a trade?
- Driven by many different factors, but broadly speaking, currencies are influenced by economic well-being, interest rates, and investor flows of money
- Which market do you think is bigger? Global equity market or the foreign exchange market?







### Derivatives

An asset that derives its value from the performance of an underlying entity

• Ownership of derivative =/= ownership of an asset

- Examples of derivatives
  - Futures
  - Options
  - Swaps
  - Credit Default Swaps

Does anyone know what caused the 2008 financial crisis?







# Reach Out If You Have Questions

Feel free to reach out to us over Facebook or email if you have any questions

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