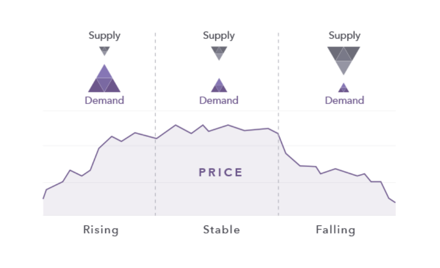
Trading

1. While investors generally focus on the long-term value of assets and attempt to build a portfolio that will perform well in the future, active traders tend to focus on short-term market movements, with some participants placing hundreds of trades per day.

Shares

1. A share is a unit of ownership in a company.
2. As the share price fluctuates, so does the value of the company. Investors who buy shares in a company are hoping it will grow in value, enabling them to sell the shares at a higher price.
3. Companies offer shares to raise money , By allowing investors to buy part of the company, the management are able to raise capital to put back into the business.If the funds are used wisely and the company becomes more profitable as a result, the value of the share price - and therefore the business - should rise.



The company and its shareholders are heavily reliant on each other. The company needs shareholders to raise funds, and the shareholders hope the company will use their investment to grow the business - so they can make a profit.
4. The amount a share fluctuates is known as its volatility., if more people want to buy a share than sell it, the price will rise because the share is more sought-after .Conversely, if supply is greater than demand then the price will fall.
5. Supply and demand depends on 2 factors
Earnings : profits a business makes. If the earnings are better than expected, the share price generally rises. If the earnings disappoint, the share price is likely to fall. Companies tend to release earnings announcements for a specific time period, usually a quarter, half or full year. The firm's share price can be particularly volatile immediately before and after the announcement, especially if the figures are significantly better or worse than anticipated.
Market Sentiments : depend on factors like upcoming industry legislation, public faith in the company's management team, or the general health of the economy.

Stock Exchange

1. Exchanges are highly-regulated marketplaces where buyers and sellers come together to negotiate the transaction of shares
2. Only certain qualified individuals are allowed to trade physically on the exchange itself, so investors generally need a stockbroker to act as a middleman.

How do shares become listed on exchange ?

1. A private company isn't listed on a major stock exchange, so you would usually have to contact the owners directly to buy shares
2. If the owners want to 'go public' to raise some capital or boost the company's reputation, they must carry out an initial public offering, or IPO. Following an IPO, the company's shares are listed on a stock exchange and ordinary investors can buy and sell them.
3. public business needs to appoint a board of directors and disclose detailed financial information at least twice a year.

Dividends

1. A key advantage to investing in shares is the potential for dividends.
2. A dividend is an amount of money paid to shareholders, representing a portion of the company's profits.

Stock Indices

1. Measurement of value of a certain section of the stock market.
2. Give traders and investors an indication of how an exchange, region or sector is performing.
3. Dow Jones Industrial Average (DJIA) : 30 of the most influential companies in the US.
4. S&P 500 : 500 of the largest US shares listed on either the New York Stock Exchange (NYSE) or NASDAQ.
5. NASDAQ-100 : 100 of the largest non-financial companies

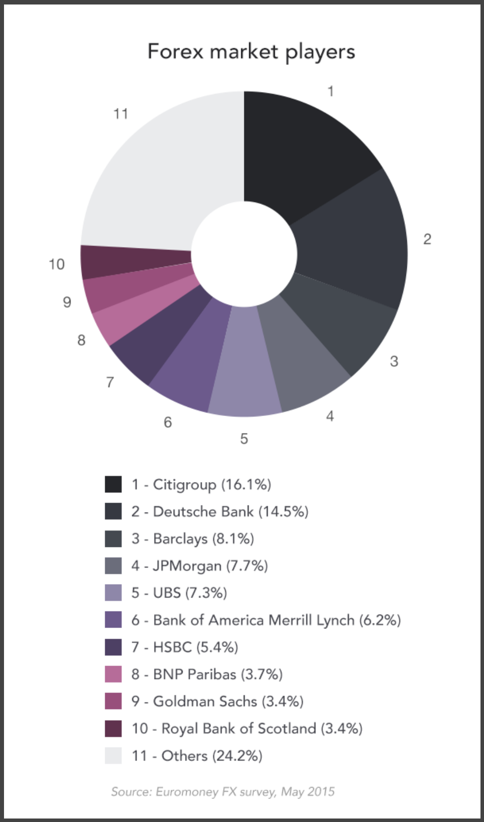
Calculation of Stock Indices

1. Capitalisation weighted system : You can tell how much a particular company is worth by multiplying its share price by the number of shares issued. This is called its market capitalisation.
2. Price Weighted system : actual share price of the companies in the index, not their overall size.higher the share price, the more influence that company has on the value of the index.

How do you trade stock indices

Since indices are effectively just numbers, you can't buy or sell them directly.

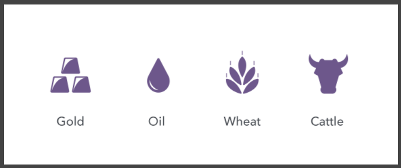
1. Index fund : specialized investment fund that attempts to replicate the movements of a particular stock index.(fund manager)
2. Exchange Traded fund (ETFs) : distinct type of index fund that can be traded like a stock on an exchange. Just like stocks, the price of ETFs can change throughout the trading day as they are bought and sold
3. Derivatives : Financial products that derive their price from the performance of an underlying instrument. For example: futures, options, digital 100s or contracts for difference (CFDs).



Forex : how individuals and businesses convert one currency to another.

1. Speculation : currency rates are some of the most consistently volatile financial markets in the world - which in turn provides more opportunity for speculators to make money
2. forex changes are measured in very small units called pips.
3. Leverage essentially means you can open a large market position with a relatively small deposit - called margin.
4. Pairs which are traded more frequently are known as major currency pairs Eg : USD
5. Pairs which are traded less frequently are known as minor currency pairs Eg :euro (EUR), sterling (GBP) or the Japanese yen (JPY).
6. the stronger the economy of a country, the stronger its currency will be compared to other currencies.

Commodities are physical assets that are raw materials mined, farmed or extracted from the earth



1. Soft commodities : agricultural commodities, farmed rather than mined or extracted.they're susceptible to seasonal growing cycles, weather and spoilage which can suddenly and dramatically affect prices.
2. Hard commodities : generally mined from the ground, or taken from other natural resources. Eg : Energy (oil and gas), Metal (gold, silver, copper, lead, etc), Agriculture (wheat, coffee, livestock, etc)
3. 2 main ways to trade commodities :
   Spot Market : financial assets are sold for cash and exchanged right there and then (need *immediate delivery* of a commodity)
   Future Market : place where buyers and sellers agree to exchange *a specific quantity of an asset at a fixed date in the future, at a price agreed today.*
4. 4 main types of commodity future trader :
   Producer : companies/individuals that produce or extract commodities and enter into a futures contract to offset the risk of future price movements
   Speculators : traders looking solely to profit on commodity price movements, no interest in owning the physical commodity itself.
   Hedgers : mid- or long-term investors who hold commodities in their portfolio to provide

protection against downward movements in other securities.
Brokers : firms or individuals who buy and sell commodity contracts on behalf of their clients.

Trading Commodities

1. London International Financial Futures and Options Exchange (LIFFE) :Soft commodities: cocoa, wheat, coffee, sugar, corn
2. New York Mercantile Exchange (NYMEX) : Energy and metals: crude oil, natural gas, heating oil, RBOB unleaded gas, gold, silver, copper, platinum, palladium
3. London Metal Exchange : Metals that do not contain iron: aluminum, copper, tin, nickel, zinc, lead, aluminum alloy, cobalt
4. ICE Futures US : Soft commodities: sugar, cotton, cocoa, coffee, orange juice
5. Chicago Board of Trade (CBOT) : Grains: corn, soybeans, soybean oil, soybean meal wheat, oats, rough rice

Commodity futures are traded in contracts , tends to be large.

Most important factor that affects commodity prices is the balance between supply and demand. Other factors include economic and political factors and the US dollar