

INTERNATIONAL FINANCIAL MARKETS AND INSTRUMENTS

This summaries 'International Financial Markets' Module 1 (Additional Reading)

(1) MONEY MARKETS

- (1) **Primary Money Market** *[maturities of less than 1 year]*
 - (i) **CDs**
 - (ii) **TBs** (a) **Bank of England**
 - (iii) **CP** (b) **Discount Houses** (i) **Investment Banks**
 - (iv) **BAAs** (c) **Clearing Banks** (ii) **Commercial Banks**
 - (v) **Bank Deposits** (iii) **Complex Groups/ Conglomerates**
- (2) **Secondary Money Markets**
 - (a) **Local Authority Market**
 - (b) **Finance House Market**
 - (e) **Sterling Inter-Bank Market** *Eurodollar Market*
 - (c) **Inter Company Market**
 - (d) **Sterling Certificate of Deposit Market**
 - (e) **Sterling Commercial Paper Market**

GILT MARKETS [GOVERNMENT DEBT MARKETS]

- (i) **Consols 1752** *[US T Bills <1, Notes 1-10 and Bonds >10 years]*
- (ii) **War Loans** (a) **Government Gilts** *UK CGO CREST [GEMMs/IDBs/SEMBS]*
- (iii) **DD Stock** (b) **Treasury Bills**
- (iv) **Convertible** (c) **Sale and Repurchase Agreements (Repos)**
- (v) **T Bills**

[BANKING MARKETS]

Syndicated Loan Market *Euroloan Market [Inter-bank Market]*

DEPOSIT TAKING AND LOAN MARKET *Commercial Bank Market*

- (a) **Corporate Loans** (d) **Commercial Property**
- (b) **Consumer Credit** (d) **Residential Mortgages**
- (e) **Trade Finance**
- (a) **Subsidiary** **Credit Transfers** (a) **Assignment**
- (b) **Branch** (b) **Novation**
- (c) **Joint Venture** (c) **Participation**
- (d) **Consortia** (d) **Risk Participation**
- (e) **Representative Office** (e) **Securitisation**

- KEY TRENDS** (1) **MARKET INTEGRATION (CROSS-BORDER AND SECTOR)**
- (2) **GENERAL 'DISINTERMEDIATION' (COMMERICAL PAPER) AND 'SECURITISATION' (LOANS TO BONDS)**
- (3) **'REPACKAGING' AND 'STRUCTURED FINANCE'**
- SEPARATION** (4) **'PRIVITISATION' AND 'DECONSTRUCTION'**
- (5) **COMPLEX RISK MANAGEMENT, STANDARD DOCUMENTATION AND EXTENDED MARKET SUPPORT**

CAPITAL MARKETS

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- (2) **SECURITIES AND CAPITAL MARKETS**
 - (a) **Debt** (a) **FRNs** *71 10-20 years*
 - (b) **Equity** (b) **NIFs** *5-7 years >70s*
 - (c) **Warrants and Hybrids** (c) **MTNs** *85 9mth-15 year*
 - (d) **Depository Receipts** (d) **MOF[MOFF/MLF/BONUS]**
 - (e) **Eurodollar** (e) **CP/SCP/ECP**
- (disintermediation)
 - (i) **Bonds** *(Duration Ladder)*
 - (ii) **Notes**
 - (iii) **Commercial Paper**
 - (iv) **'Convertibles' and 'Callables'**
 - (v) **Structured Finance**
 - (i) **Repackaging [synthetic]**
 - (ii) **CMOs/ABSs/MBs**
 - (iii) **CBOs/CLOs/CEOs**
 - (iv) **CLNs**
 - (v) **SIVs/Conduits**

- (3) **FINANCIAL DERIVATIVES MARKETS**
 - (i) **Risk Cover/Hedging**
 - (ii) **Trading/Speculation**
 - (a) **Swaps**
 - (b) **Futures** (I) **Financial Contracts**
 - (c) **Options** (ii) **Indices**
 - (d) **Credit Derivatives** (iii) **Oil and Gas**
 - (e) **Hybrids** (iv) **Energy**
 - (i) **TRSs** (v) **Commodities**
 - (ii) **CSSs**
 - (iii) **CDSs**

(4) **ALTERNATIVE INVESTMENT MARKETS** <http://www.riskglossary.com>

- (a) **Hedge Funds** (a) **Pension Funds**
- (b) **Private Equity** (b) **Collective Investment**
- (c) **Sovereign Wealth Funds** (c) **US Mutual Funds**

- (5) **CURRENCY MARKETS** (a) **Spot**
- (b) **Forward**

- (6) **GOLD MARKET** *London Gold Fixing*

- (7) **INSURANCE MARKETS** (a) **Life** *[Assurance]*
- (b) **Non-life** *[Contingent Liability]*

- (8) **COMMODITY MARKETS** *Auction Rooms* **G A WALKER**

INTERNATIONAL FINANCIAL MARKETS AND INSTRUMENTS

Global financial assets \$294tn (2014)¹ Global household wealth \$280tn (2017)²
[quadrupled by 2007 to \$194tn (343% GDP) but fell \$16tn in 2008 to \$178tn.]
Total Global Cash Supply \$1tn (1990), \$2tn (2002), \$4tn (2008), \$7.6tn (2017)³
UK: £ 81.89bn (2017)⁴, USA: \$1,607.7bn (2018)⁵, EU: €1,198.7bn (2017)⁶,
China: ¥7,060bn (2017)⁷, Japan: ¥99,096bn (2017)⁸, Russia: P8,446bn (2017)⁹

(1) MONEY MARKETS	Monetary Base	MO notes/coin + op bk deposits
(i) CD (1)	Primary Money Market	NIBM1 notes+NBPS deposits
(ii) TBs	(a) Bank of England	M1 NBPS interest site deposits
(iii) CP	(b) Discount Houses	M2 NBPS BS and nat savings
(iv) BAs	(c) Clearing Banks	M3 NBPS time deposits and CDs
(2) Secondary Money Markets		M4C NBNBSPS fx deposits
*UK supply drop 5% may 2012 with 3324bn QE	(a) Local Authority	M4 NBNBSPS MMIs
	(b) Finance House	(1) Coin 'Monetary Asset'
	(e) Sterling Inter-Bank " "	(2) Notes FCs + 'Mon Oblig'
	(c) Inter Company	(3) CBacct FCs+supportMO
	(d) Sterling CD " "	(4) Acct FCs+non-suptMO
UK Reserves £98,708	(e) Sterling CP " "	(5) Gen FCs+MOs

GOVERNMENT DEBT MARKETS Total Government debt \$63tn (2017)¹⁰

Total government debt grew 9% to \$31.7tn in 2008

- (a) Government Gilts
- (b) Treasury Bills
- (c) Repos

BANKING MARKETS

Euro Syndicated Loan Market

DEPOSIT TAKING AND LOAN MARKET \$56.1(61.1) tn 2007/2008 Global

Global bank deposits grew \$5tn or 9% in 2008

\$59.267(54.417) tn 2007/2008 'claims' \$1.833(1.683) tn 2007/2008

(a) Corporate Loans	(d) Commercial Property
(b) Consumer Credit	(d) Residential Mortgages
	\$90.8 (87.4) tn 2007/2008 Global
	(e) Trade Finance

Total value private debt \$5.1tn (but fall \$2.4 to \$3.2tn current market values) (including bonds and asset-backed securities)

Bank deposits to world GDP 49.5% (2015)¹¹

Total Size Gross Domestic Financial Assets (2016)¹²

US	€71,424bn	North America	€76,087bn (45% of world)¹³
UK	€7,669bn	Latin America	€3,461bn (2%)¹⁴
Germ.	€5,763bn	Asia	€47,620bn (28.1%)¹⁵
Japan	€15,196bn	West Eur	€35,324bn (20.9%)¹⁶
China	€22,469bn	East Eur	€2,412bn (1.4%)¹⁷
		Aus&NZ	€3,739bn (2.2%)¹⁸

GDP¹⁹

World	\$79,280.935bn (2017)
EU	\$17,112.922bn
US	\$19,362.129bn
China	\$11,937.562bn
Japan	\$4,884.489bn
Germ	\$3,651.871bn
UK	\$2,565.051bn

TOTAL GOVERNMENT DEBT²⁰

EU	84.2% of GDP (2017)
US	108.1%
China	47.6%
Japan	240.3%
Germ	65%
UK	89.5%

CAPITAL MARKETS

(2) SECURITIES AND CAPITAL MARKETS	(a)	G A WALKER
Long term (>13M) bond issuance \$21.3tn (2016)²¹	(b)	FRNs
(a) Debt \$92.2tn (2016)²²	(c)	NIFs
(b) Equity \$70.1tn (2016)²³	(d)	MTNs
(c) Warrants and Hybrids	(e)	MOF
(d) Depository Receipts		CP/SCP/ECP
(e) Eurodollar		
(i) Bonds (Duration Ladder)		
(ii) Notes		
(iii) Commercial Paper		
(iv) 'Convertibles' and 'Callables'		
(v) Structured Finance		
(i) Repackaging [synthetic]		
(ii) CMOs/ABSs/MBSS		
'CDOs' (iii) CBOs/CLOs/CEOs		
(iv) CLNs		
(v) SIVs/Conduits		ET \$67tn²⁴

(3) FINANCIAL DERIVATIVES MARKETS \$599.809tn (2016)²⁵ OTC \$532tn²⁶
Rise \$107tn 6 months to june 2011 (\$673 june 2008), top \$816tn (2013)²⁷
[Banks hold \$16.97tn off-BS assets up 2.14tn 6 ms esp carbon ETS]

(a) Swaps	(i) Financial Contracts
(b) Futures	(ii) Indices
(c) Options	(iii) Oil and Gas
(d) Credit Derivatives	(iv) Energy
(e) Hybrids	(v) Commodities
(i) TRSs	
(ii) CSSs	
(iii) CDSs	Riskglossary.Com

(4) ALTERNATIVE INVESTMENT MARKETS

(a) Hedge Funds	\$3.66tn (2017)²⁸	(a) Pension Funds
(b) Private Equity	\$2.07tn (2017)²⁹	(b) Collective Investment
(c) Sov W Funds	\$7.42tn (2017)³⁰	(c) US Mutual Funds

(5) CURRENCY MARKETS (a) Spot \$5.1tn each day (2016)³¹
(b) Forward

(6) GOLD MARKET \$9.8tn (2016)
242,943 tonnes (2016)³² at \$1,249 per troy ounce (daily average 2016)³³

(7) INSURANCE MARKETS (a) Life \$2,617bn (2016)³⁴
Global direct premium \$4.7tn (2016)³⁵ (b) Non-life \$2,115bn (2016)³⁶

(8) COMMODITY MARKETS Auction Rooms G A WALKER

- ¹ <http://uk.businessinsider.com/global-financial-assets-2015-2?r=US&IR=T>
- ² <http://publications.credit-suisse.com/tasks/render/file/index.cfm?fileid=12DFFD63-07D1-EC63-A3D5F67356880EF3> p. 4
- ³ <http://money.visualcapitalist.com/worlds-money-markets-one-visualization-2017/>
- ⁴ <https://tradingeconomics.com/united-kingdom/money-supply-m0>
- ⁵ <https://fred.stlouisfed.org/series/WCURCIR>
- ⁶ <http://sdw.ecb.europa.eu/reports.do?node=1000004112> (notes) & <http://sdw.ecb.europa.eu/reports.do?node=1000004114> (coins)
- ⁷ <https://tradingeconomics.com/china/money-supply-m0>
- ⁸ <https://tradingeconomics.com/japan/money-supply-m0>
- ⁹ <https://tradingeconomics.com/russia/money-supply-m0>
- ¹⁰ <http://www.visualcapitalist.com/63-trillion-world-debt-one-visualization/>
- ¹¹ <https://fred.stlouisfed.org/series/DDOI021WA156NWDB#0>

- ¹² https://www.allianz.com/v_1506497732000/media/press/document/AGWR_17-Report_EN.pdf p. 137
- ¹³ https://www.allianz.com/v_1506497732000/media/press/document/AGWR_17-Report_EN.pdf p. 73
- ¹⁴ https://www.allianz.com/v_1506497732000/media/press/document/AGWR_17-Report_EN.pdf p. 63
- ¹⁵ https://www.allianz.com/v_1506497732000/media/press/document/AGWR_17-Report_EN.pdf 109
- ¹⁶ https://www.allianz.com/v_1506497732000/media/press/document/AGWR_17-Report_EN.pdf p. 83
- ¹⁷ https://www.allianz.com/v_1506497732000/media/press/document/AGWR_17-Report_EN.pdf p.97
- ¹⁸ https://www.allianz.com/v_1506497732000/media/press/document/AGWR_17-Report_EN.pdf p. 125
- ¹⁹ http://www.imf.org/external/datamapper/NGDPD@WEO/WEO_WORLD/USA/EU/GBR/JPN/DEU/CHN
- ²⁰ http://www.imf.org/external/datamapper/GGXWDG_NGDP@WEO/EU/USA/CHN/JPN/DEU/GBR
- ²¹ <https://www.sifma.org/wp-content/uploads/2016/10/US-Fact-Book-2017-SIFMA.pdf> p. 49
- ²² <https://www.sifma.org/wp-content/uploads/2016/10/US-Fact-Book-2017-SIFMA.pdf>, p. 55
- ²³ <https://www.sifma.org/wp-content/uploads/2016/10/US-Fact-Book-2017-SIFMA.pdf> p. 58
- ²⁴ <https://www.sifma.org/wp-content/uploads/2016/10/US-Fact-Book-2017-SIFMA.pdf>, p. 61
- ²⁵ <https://www.sifma.org/wp-content/uploads/2016/10/US-Fact-Book-2017-SIFMA.pdf>, p. 61
- ²⁶ <https://www.sifma.org/wp-content/uploads/2016/10/US-Fact-Book-2017-SIFMA.pdf>, p. 61
- ²⁷ <https://www.sifma.org/wp-content/uploads/2016/10/US-Fact-Book-2017-SIFMA.pdf>, p. 61
- ²⁸ <https://www.sec.gov/divisions/investment/private-funds-statistics/private-funds-statistics-2017-q2-accessible.pdf> p. 5
- ²⁹ <https://www.hedgefundresearch.com/reports/hfr-global-hedge-fund-industry-report>)
- ²⁹ <https://www.sec.gov/divisions/investment/private-funds-statistics/private-funds-statistics-2017-q2-accessible.pdf> p. 5.
- ³⁰ <https://www.swfinstitute.org/sovereign-wealth-fund-rankings/>
- ³¹ <https://www.bis.org/publ/rpx16.htm>
- ³² <https://s530566577.t.eloqua.com/ef2?LP=4055> GFMS Gold Survey 2017 p. 18
- ³³ <http://data.imf.org/?sk=4C514D48-B6BA-49ED-8AB9-52B0C1A0179B> (IMF, International Financial Statistics, Yearbook 2017, p. 91)
- ³⁴ http://media.swissre.com/documents/sigma3_2017_en.pdf p. 1
- ³⁵ http://media.swissre.com/documents/sigma3_2017_en.pdf p.7
- ³⁶ http://media.swissre.com/documents/sigma3_2017_en.pdf p. 2