Graduate Certificate in Treasury Management

Financial Markets and Instruments

Arbitrage:
Arbitrage is the practice of simultaneously buying and selling an asset in different markets to take advantage of price differences and make a profit with no risk. It involves exploiting pricing inefficiencies in the market and can occur in various financial instruments such as stocks, bonds, currencies, and commodities.

Asset Allocation:
Asset allocation refers to the distribution of investments across different asset classes such as stocks, bonds, and cash equivalents in a portfolio. The goal of asset allocation is to achieve a balance between risk and return based on an investor's financial goals, risk tolerance, and time horizon.

Asset Backed Securities (ABS):
Asset-backed securities are financial instruments that are backed by a pool of underlying assets such as loans, mortgages, or receivables. These securities are structured and sold to investors, with the cash flows from the underlying assets used to pay interest and principal to the investors.

Asset Management:
Asset management involves managing a portfolio of assets on behalf of clients to achieve their investment objectives. Asset managers make investment decisions based on the client's risk tolerance, financial goals, and market conditions to maximize returns and minimize risk.

Beta:
Beta is a measure of a stock's volatility or systematic risk compared to the overall market. A beta of 1 indicates that the stock moves in line with the market, while a beta greater than 1 means the stock is more volatile than the market, and a beta less than 1 means the stock is less volatile.

Bid-Ask Spread:
The bid-ask spread is the difference between the highest price a buyer is willing to pay (the bid) and the lowest price a seller is willing to accept (the ask) for a security. It represents the transaction cost of buying and selling securities in the financial markets.

Capital Asset Pricing Model (CAPM):
The Capital Asset Pricing Model is a financial model that describes the relationship between risk and expected return in financial markets. It is used to calculate the expected return on an asset based on its risk, the risk-free rate, and the market risk premium.

Collateralized Debt Obligation (CDO):
A collateralized debt obligation is a structured financial product that pools together various fixed-income assets such as mortgages, loans, and bonds. These assets are divided into tranches with different levels of

risk and return for investors.

Commodity:
A commodity is a raw material or primary agricultural product that can be bought and sold in the financial markets. Examples of commodities include gold, oil, wheat, and coffee. Commodity prices are influenced by supply and demand dynamics.

Contract for Difference (CFD):
A contract for difference is a financial derivative that allows investors to speculate on the price movements of an underlying asset without owning the asset itself. CFDs are traded on margin, which means investors can leverage their positions to amplify potential returns or losses.

Credit Default Swap (CDS):
A credit default swap is a financial derivative that allows investors to protect against the default of a borrower or issuer of debt. The buyer of a CDS pays a premium to the seller in exchange for a payment if the borrower defaults on their debt obligations.

Credit Rating:
A credit rating is an assessment of the creditworthiness of a borrower or issuer of debt securities. Credit rating agencies such as Moody's, Standard & Poor's, and Fitch assign ratings based on the borrower's ability to repay debt obligations, with AAA being the highest rating and D being the lowest.

Currency Pair:
A currency pair is a quotation of the relative value of one currency in terms of another currency in the foreign exchange market. For example, the EUR/USD currency pair represents the value of one Euro in US Dollars. Currency pairs are traded in the forex market.

Derivative:
A derivative is a financial instrument whose value is derived from an underlying asset such as stocks, bonds, commodities, or currencies. Examples of derivatives include options, futures, forwards, and swaps. Derivatives are used for hedging, speculation, and arbitrage.

Dividend:
A dividend is a distribution of profits by a corporation to its shareholders. Dividends are typically paid in cash or additional shares of stock and are a way for companies to share their earnings with investors. Dividend payments can provide a source of income for shareholders.

Equity:
Equity represents ownership in a company in the form of shares of stock. Equity holders are entitled to a portion of the company's profits in the form of dividends and voting rights at shareholder meetings. Equity investments carry the risk of capital loss if the company's value decreases.

Exchange-Traded Fund (ETF):
An exchange-traded fund is a type of investment fund that trades on a stock exchange like a stock. ETFs are designed to track the performance of a specific index, commodity, or basket of assets. They offer

diversification, liquidity, and low costs to investors.

Foreign Exchange (Forex):
The foreign exchange market, also known as forex, is a global marketplace for trading currencies. Participants in the forex market include banks, central banks, corporations, governments, and individual investors. Currency prices fluctuate based on economic indicators, geopolitical events, and market sentiment.

Forward Contract:
A forward contract is a customized agreement between two parties to buy or sell an asset at a specified price on a future date. Forward contracts are used to hedge against price fluctuations in commodities, currencies, and interest rates. They are traded over-the-counter (OTC).

Futures Contract:
A futures contract is a standardized agreement to buy or sell an asset at a predetermined price on a specified future date. Futures contracts are traded on organized exchanges and are used by investors to hedge risk or speculate on price movements in commodities, currencies, and financial instruments.

Hedge Fund:
A hedge fund is an investment fund that pools capital from accredited investors and institutional investors to invest in a variety of financial instruments. Hedge funds use a range of strategies including long-short, event-driven, and macro to generate returns for their investors.

Initial Public Offering (IPO):
An initial public offering is the process by which a private company offers shares of stock to the public for the first time. Companies go public to raise capital, increase liquidity, and provide an exit strategy for early investors. IPOs are underwritten by investment banks.

Interest Rate Swap:
An interest rate swap is a financial derivative in which two parties exchange interest rate payments on a notional principal amount for a specified period of time. Interest rate swaps are used to hedge against interest rate risk or to speculate on interest rate movements in the financial markets.

Intrinsic Value:
Intrinsic value is the true worth of an asset based on its underlying characteristics and fundamentals. In the context of stocks, intrinsic value is the present value of a company's future cash flows discounted at an appropriate rate of return. Investors use intrinsic value to determine whether a stock is undervalued or overvalued.

Leverage:
Leverage refers to the use of borrowed funds to increase the potential return on an investment. Leverage can magnify gains but also amplify losses, as investors are exposed to the risk of having to repay the borrowed funds. Common forms of leverage include margin trading and derivatives.

Liquidity:

Liquidity refers to the ease with which an asset can be bought or sold in the market without causing a significant change in its price. Liquid assets are easily tradable and have a high level of market depth, while illiquid assets may have limited buyers and sellers, leading to wider bid-ask spreads.

Market Capitalization:
Market capitalization is the total value of a company's outstanding shares of stock in the market. It is calculated by multiplying the current share price by the number of shares outstanding. Market capitalization is used to determine the size of a company and its relative importance in the stock market.

Option:
An option is a financial derivative that gives the holder the right, but not the obligation, to buy or sell an underlying asset at a specified price within a predetermined period of time. Options are used for hedging, speculation, and income generation in the financial markets.

Portfolio Management:
Portfolio management involves the selection and management of a group of investments to achieve a specific financial goal. Portfolio managers make decisions on asset allocation, security selection, and risk management to maximize returns and minimize risk for their clients.

Price-Earnings Ratio (P/E Ratio):
The price-earnings ratio is a valuation metric that compares a company's stock price to its earnings per share. It is calculated by dividing the current stock price by the earnings per share. The P/E ratio is used by investors to assess the relative value of a stock and compare it to other companies in the same industry.

Quantitative Easing:
Quantitative easing is a monetary policy tool used by central banks to stimulate the economy by purchasing government securities and other financial assets. Quantitative easing increases the money supply, lowers interest rates, and boosts lending and investment in the financial markets.

Risk Management:
Risk management is the process of identifying, assessing, and mitigating risks in an investment portfolio or business operations. Risk management strategies include diversification, hedging, insurance, and contingency planning to protect against potential losses and uncertainties.

Securities Exchange Commission (SEC):
The Securities and Exchange Commission is a regulatory agency in the United States that oversees and enforces federal securities laws. The SEC protects investors, maintains fair and efficient markets, and promotes capital formation by regulating securities offerings and trading activities.

Short Selling:
Short selling is a trading strategy in which an investor borrows shares of stock from a broker and sells them on the open market with the expectation that the stock price will decline. The investor can buy back the shares at a lower price to cover the borrowed shares and make a profit.

Stock Exchange:

A stock exchange is a marketplace where buyers and sellers trade stocks, bonds, and other securities. Stock exchanges provide a centralized platform for securities trading, price discovery, and liquidity. Examples of major stock exchanges include the New York Stock Exchange (NYSE) and the Nasdaq.

Structured Product:
A structured product is a complex financial instrument that combines traditional securities such as stocks and bonds with derivatives to create a customized investment product. Structured products offer tailored risk-return profiles and can be linked to specific market conditions or benchmarks.

Swaps:
Swaps are financial derivatives in which two parties exchange cash flows or other financial instruments based on predetermined terms. Common types of swaps include interest rate swaps, currency swaps, and commodity swaps. Swaps are used for hedging, speculation, and managing risk in the financial markets.

Technical Analysis:
Technical analysis is a method of evaluating securities by analyzing historical price and volume data to forecast future price movements. Technical analysts use charts, graphs, and statistical indicators to identify trends, patterns, and support/resistance levels in the financial markets.

Time Value of Money:
The time value of money is a fundamental concept in finance that states that a dollar received today is worth more than a dollar received in the future. This is due to the opportunity cost of not having the money available to invest or earn interest over time. Time value of money calculations are used in valuing investments, loans, and financial decisions.

Treasury Bills (T-Bills):
Treasury bills are short-term government securities issued by the U.S. Department of the Treasury to finance the federal government's operations. T-bills have maturities of one year or less and are considered risk-free investments because they are backed by the full faith and credit of the U.S. government.

Underwriting:
Underwriting is the process by which an investment bank or financial institution assesses the risk of issuing new securities on behalf of a company and guarantees the sale of the securities to investors. Underwriters help companies raise capital through initial public offerings (IPOs) and debt offerings.

Valuation:
Valuation is the process of determining the fair value of an asset or investment based on its intrinsic characteristics, market conditions, and future cash flows. Valuation methods include discounted cash flow (DCF), comparables analysis, and precedent transactions to assess the worth of a company or security.

Volatility:
Volatility is a measure of the degree of variation in the price of a financial instrument over time. High volatility indicates large price swings, while low volatility suggests stability. Volatility is an important factor in risk management, option pricing, and investment decision-making in the financial markets.

Yield Curve:
The yield curve is a graphical representation of the interest rates on bonds of various maturities, plotted against the time to maturity. The yield curve typically slopes upward, with longer-term bonds offering higher yields to compensate investors for the added risk of holding the bond for a longer period.