



GRADUATE SCHOOL OF BUSINESS AND ENTREPRENEURSHIP

English in business communication skills:

Lesson 7

Financial centers

Lecturer: N.A.Mukhitdinova

Content:

- 1. Financial centers;**
- 2. Stock markets;**
- 3. Other financial markets;**
- 4. Derivatives;**
- 5. Italy's government may punish the use of English;**



Financial centers

Financial centers are places where there are many banks and other **financial institutions**. The financial center of London is called **the City** or **the Square Mile**, and in New York it is called **Wall Street**. Financial centers bring together **investors** and businesses that need their investment in order to function and develop. A **speculator** is an investor who wants to make a quick profit, rather than one who wants to invest over a longer period of time.

Brokers, dealers and **traders** buy and sell on behalf of these investors and, in some cases, for themselves or the organizations they work for.



<https://www.google.com/search?q=Traders+in+Wall+Street&>

What Is the Stock Market?

The term stock market refers to several exchanges in which shares of publicly held companies are bought and sold. Such financial activities are conducted through formal exchanges and via over-the-counter (OTC) marketplaces that operate under a defined set of regulations.

Both “stock market” and “stock exchange” are often used interchangeably. Traders in the stock market buy or sell shares on one or more of the stock exchanges that are part of the overall stock market.

The leading U.S. stock exchanges include the New York Stock Exchange (NYSE) and the Nasdaq.



Stock Market

[ˈstæk ˈmɑːkət]

A set of exchanges and other venues where shares of publicly held companies are bought and sold.

<https://www.investopedia.com/terms/s/stockmarket.asp>

Understanding the Stock Market

The stock market allows buyers and sellers of securities to meet, interact, and transact. The markets allow for price discovery for shares of corporations and serve as a barometer for the overall economy. Buyers and sellers are assured of a fair price, high degree of liquidity, and transparency as market participants compete in the open market.



raise capital - raising capital is when an investor or a lender gives a business funds to assist with starting, growing, and managing day-to-day operations. Some entrepreneurs consider raising capital to be a burden, but most consider it a necessity;

float - the term float refers to the regular shares a company has issued to the public that are available for investors to trade;

go public - to become a company in which anyone can invest;

shares - shares represent equity ownership in a corporation or financial asset;

issue - to appear or become available through being officially put forth or distributed;

listed - if something is listed, it's included in a record or catalog;

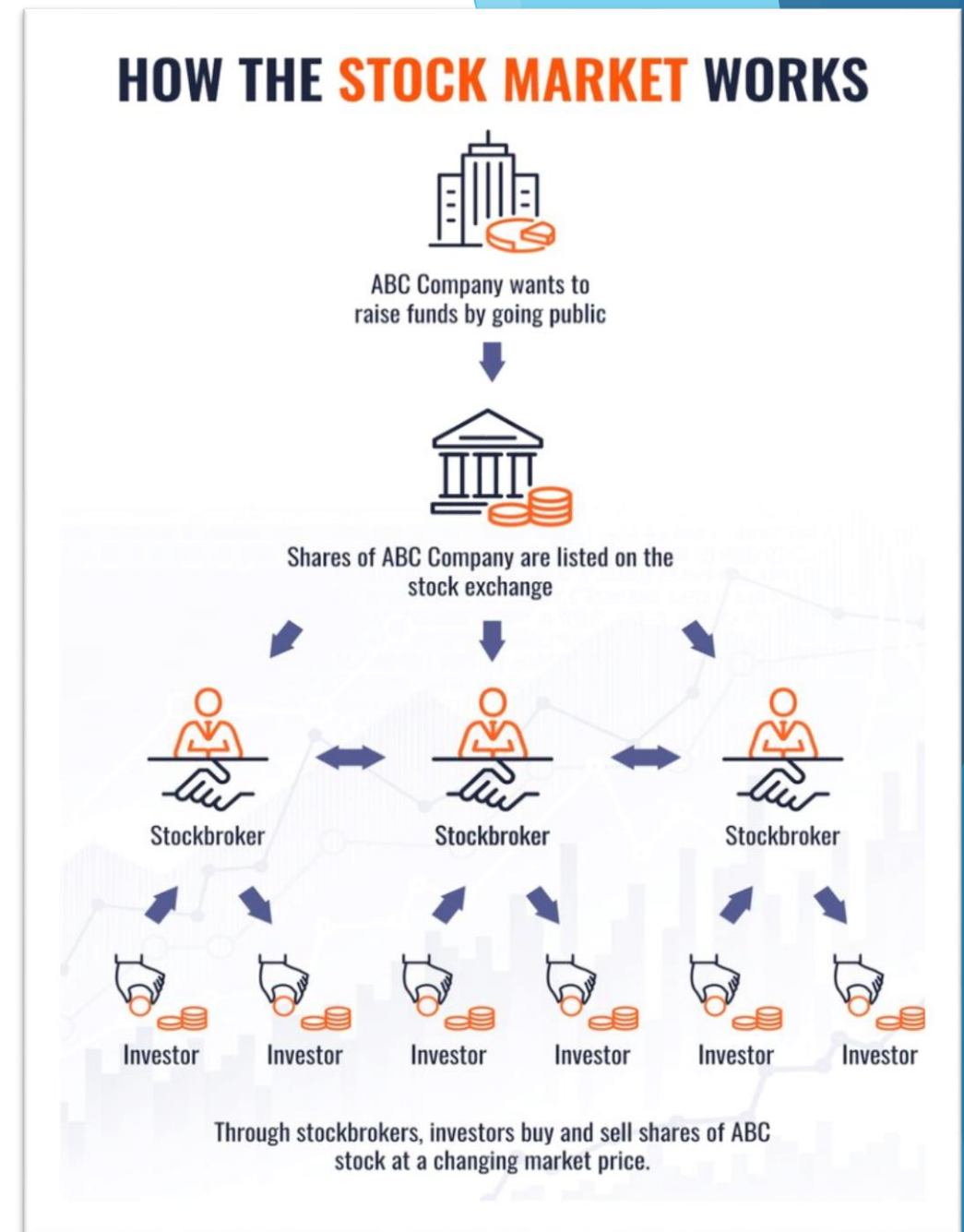
stock market - it is a place where shares of public listed companies are traded;

oversubscribe – people still want to buy things, especially shares or tickets, although all of them are already sold;

flotation - a situation in which a company offers shares for sale on a stock market for the first time.

The chief executive of Advanced Computers went through this process:

- 1 'We needed to **raise capital** to develop and expand, so we decided to **float** the company – in other words to **go public**.
- 2 'Our **shares** were **issued** and **listed** for the first time on a **stock market** that specializes in small companies.
- 3 'Our shares were **oversubscribed** – there weren't enough shares for all the investors who wanted them!
- 4 'The shares rose by 10 per cent on their first day. The **flotation** was a big success.'



Other financial markets

Products that are bought and sold on other **financial markets** include:

- **commercial paper;**
- **bonds;**
- **currencies (foreign exchange or forex);**
- **commodities.**

These are traded directly between dealers over the telephone and computer networks. Some commodities are traded in a central building called a **commodities exchange**. Shares, bonds and commercial paper are **securities**, and the financial institutions that deal in them are **securities houses**. Securities markets are also called **capital markets**.

Commercial paper

Commercial paper is an unsecured form of promissory note that pays a fixed rate of interest. It is typically issued by large banks or corporations to cover short-term receivables and meet short-term financial obligations, such as funding for a new project. As with any other type of bond or debt instrument, the issuing entity offers the paper assuming that it will be in a position to pay both interest and principal by maturity. It is seldom used as a funding vehicle for longer-term obligations because other alternatives are better suited for that purpose.



The commercial paper provides a convenient financing method because it allows issuers to avoid the hurdles and expense of applying for and securing continuous business loans, and the Securities and Exchange Commission (SEC) does not require securities that trade in the money market to be registered. It is usually offered at a discount with maturities that can range from one to 270 days, although most issues mature in one to six months.



Securities and Exchange Commission (SEC)

[si-'kyūr-ə-tēs ən(d) iks-'chānj kə-'mi-shən]

An independent federal government regulatory agency responsible for protecting investors, maintaining fair and orderly functioning of the securities markets, and facilitating capital formation.

 Investopedia

<https://www.investopedia.com/terms/s/sec.asp>

What is a bond?

A bond is a fixed-income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental). A bond could be thought of as an I.O.U. between the lender and borrower that includes the details of the loan and its payments. Bonds are used by companies, municipalities, states, and sovereign governments to finance projects and operations. Owners of bonds are debtholders, or creditors, of the issuer.

Advantages and Disadvantages of Bonds

Advantages



Receive income through the interest payments

Hold the bond to maturity and get all your principal back



You can profit if you resell the bond at a higher price

 the balance

Disadvantages

Bonds pay out lower returns than stocks



Companies can default on your bonds



Bond yields can fall



What Is Currency?

Currency is a medium of exchange for goods and services. In short, it's money, in the form of paper and coins, usually issued by a government and generally accepted at its face value as a method of payment.

Currency is the primary medium of exchange in the modern world, having long ago replaced bartering as a means of trading goods and services.

In the 21st century, a new form of currency has entered the vocabulary and realm of exchange: the virtual currency, also known as cryptocurrency. Virtual currencies, such as Bitcoin and Ethereum, have no physical form or government backing in the United States. They are traded and stored electronically.



What Is a Commodity?

A commodity is a basic good used in commerce that is interchangeable with other goods of the same type. Commodities are most often used as inputs in the production of other goods or services. A commodity thus usually refers to a raw material used to manufacture finished goods. A product, on the other hand, is the finished good sold to consumers.

The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When they are traded on an exchange, commodities must also meet specified minimum standards, also known as a basis grade.

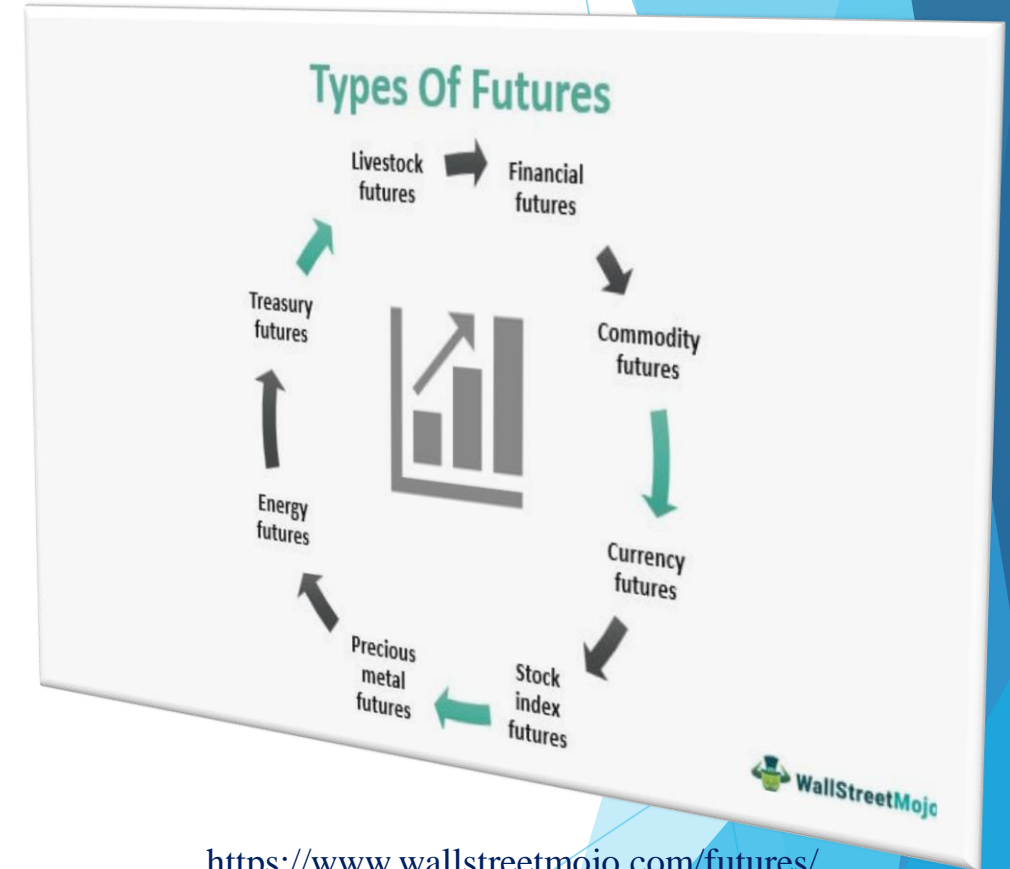


Derivatives

What Is a Futures Contract?

A futures contract is a legal agreement to buy or sell a particular commodity asset, or security at a predetermined price at a specified time in the future. Futures contracts are standardized for quality and quantity to facilitate trading on a future exchange.

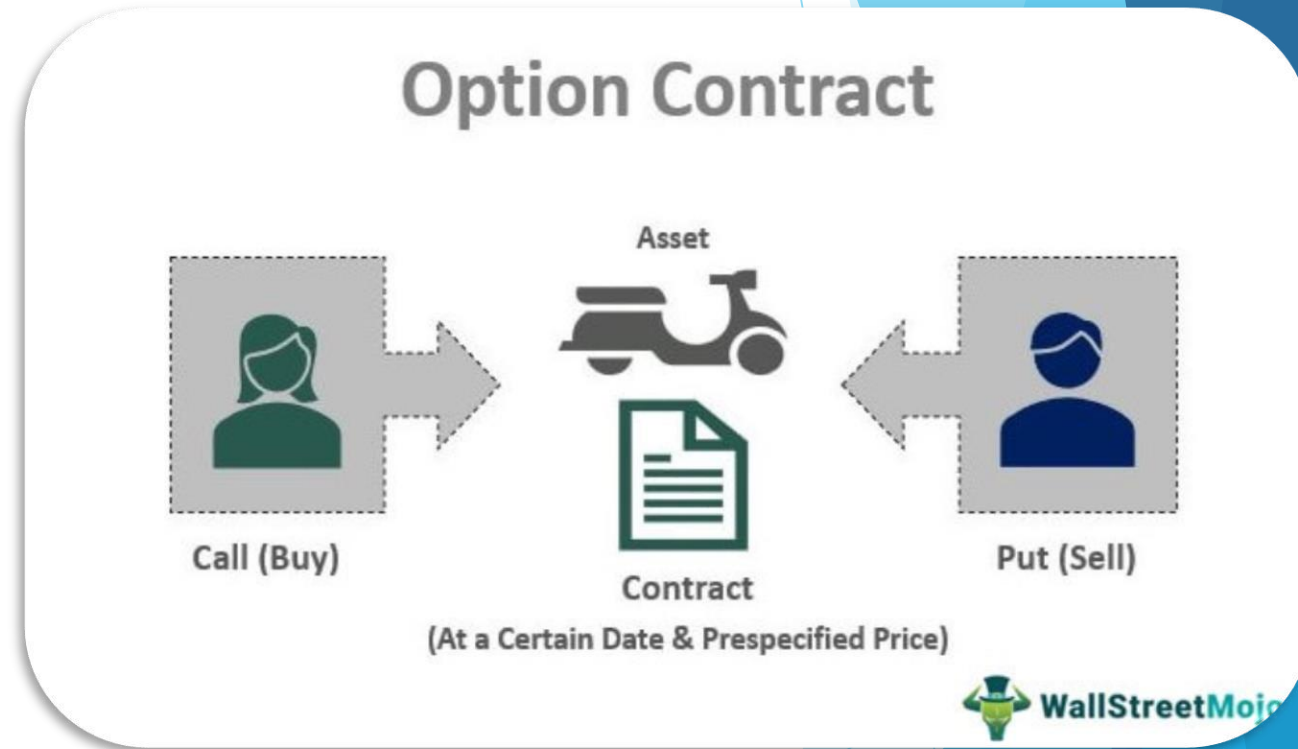
The buyer of a futures contract is taking on the obligation to buy and receive the underlying asset when the futures contract expires. The seller of the futures contract is taking on the obligation to provide and deliver the underlying asset at the expiration date.



<https://www.wallstreetmojo.com/futures/>

What Is an Options Contract?

An options contract is an agreement between two parties to facilitate a potential transaction on an underlying security at a preset price, referred to as the strike price, prior to or on the expiration date.



<https://www.wallstreetmojo.com/option-contract/>

These contracts are **derivatives**. Dealers guess how the price of the related **underlying shares** – the shares that the derivatives relate to – is going to change in the future, and use derivatives to try to buy them more cheaply than they could otherwise.

What Is a Derivative?

A derivative is a financial security with a value that is reliant upon, or derived from, an underlying asset or group of assets

The infographic illustrates six categories of derivatives, each with a representative icon: Stocks (bar chart with upward arrow), Bonds (green 100-dollar bill), Commodities (oil barrel and drop), Currencies (Bitcoin symbol), Interest Rates (percentage sign), and Market Indices (line graph with upward arrow).

Stocks

Bonds

Commodities

Currencies

Interest Rates

Market Indices

Investopedia

Italy's government may punish the use of English (6th April 2023)

Italy's ruling party may introduce a new law to stop people using English words in Italian. People could get fined for using English and other non-Italian words in official communications. The idea is from government member Fabio Rampelli. He is worried about the growing number of English words in Italian. He called it "Anglomania". He is unhappy with the word "dispenser". He wrote:

"We continue our battle for the use of Italian instead of English. We can't understand why we say 'dispenser'."

Mr Rampelli said English is damaging the Italian language. He wants people to get a fine if they use English words. The fines could be between €5,000 and €100,000 (\$5,500 and \$110,000).



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English has been increasing around the world for over a century. The Internet and social media have increased its use. Most languages now use English words. Many people are concerned that English is harming their native language. However, not all Italians agree with having fines for the use of English. A top Italian linguistics society, the Accademia della Crusca, said it totally disagreed with Mr. Rampelli's idea. Other people support the fines. They are worried about the growing number of English words in Italian. They say that since the year 2000, the number of English words in use in the Italian language has increased by an amazing 773 per cent. There are no signs that this will stop.



<https://www.shutterstock.com/ru/search/italian-government-building>

- English is the only language that Italians might be fined for using. **T / F**
- A government member said there was a problem of 'Anglomania'. **T / F**
- The Italian government member is unhappy Italians say "dispenser". **T / F**
- The Internet has been spreading English globally for over a century. **T / F**
- The article says all languages use English words. **T / F**
- All Italians agree with the fines for using English words. **T / F**
- English in Italian has risen by 773% since the year 2000. **T / F**

Reference

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Thank you for attention!