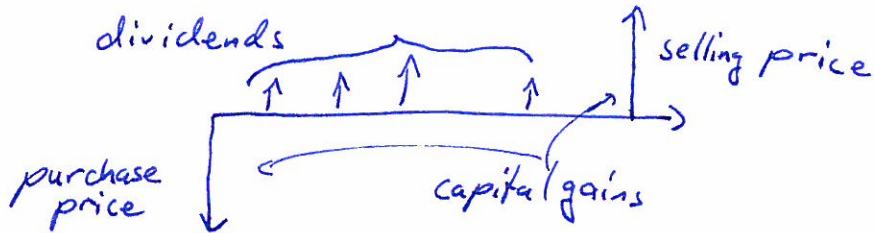


# Financial Market

security — a stock or bond

capital gains — increase in value of your investment  
(selling (price you sold it  
- price you bought it)

dividends — cash payouts of your investments  
(called "coupons" for bonds)

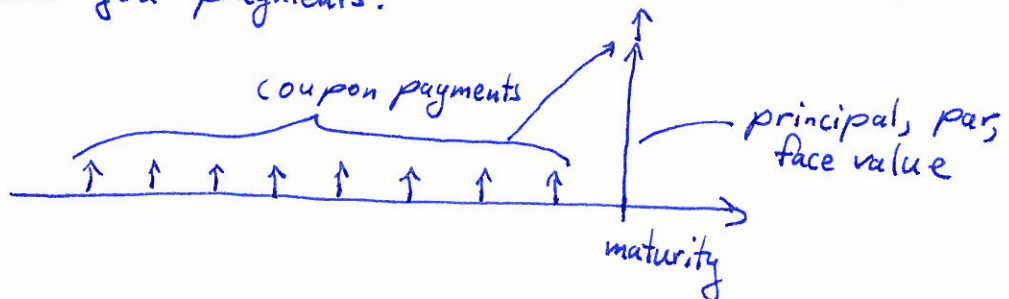


stock — partial ownership of a company

market capitalization = market cap — # stocks in a company  
x stock price  
the market value of the company

bond — a loan to a company or government (an IOU)  
these loans can be bought and sold

If I own a US govt bond then the government will send me payments. If I sell it to you, then the government will send you the payments.



call option — right to buy a stock at the "strike price"

ex. on a call option on Apple stock with a strike price at \$90.

if stock price > 90, then value is stock price - \$90

if stock price < 90, then value is 0