Financial Market

security — a stock or bond

capital gains — increase in value of your investment (selling price — 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. an 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