Finance 101 Glossary

Asset Class	An asset class is a grouping of investments that exhibit similar characteristics and are subject to the same laws and regulations. Asset classes are made up of instruments which often behave similarly to one another in the marketplace. Historically, the three main asset classes have been equities (stocks), fixed income (bonds), and cash equivalent or money market instruments.1 Currently, most investment professionals include real estate, commodities, futures, other financial derivatives, and even cryptocurrencies to the asset class mix. Investment assets include both tangible and intangible instruments which investors buy and sell for the purposes of generating additional income on either a short- or a long-term basis. (Investopedia, 2019)
Buy-side	Buy side is a segment of Wall Street made up of investing institutions such as mutual funds, pension funds, and insurance firms that tend to buy large portions of securities for money-management purposes.
Buyside Research Analyst	A buy-side research analyst is a person who prepares investigative reports on securities or assets for in-house use. The research is an effort to confirm or revise an investment thesis for the investment firm, pension, insurance firm or other investor.
Capital Expenditure	Capital expenditures, commonly known as CapEx, are funds used by a company to acquire, upgrade, and maintain physical assets such as property, buildings, an industrial plant, technology, or equipment. CapEx is often used to undertake new projects or investments by the firm. Making capital expenditures on fixed assets can include everything from repairing a roof to building, to purchasing a piece of equipment, to building a brand new factory. This type of financial outlay is also made by companies to maintain or increase the scope of their operations. Put differently, CapEx is any type of expense that a company capitalizes, or shows on its balance sheet as an investment, rather than on its income statement as an expenditure. (Investopedia, 2019)
Capital Markets	Capital markets are venues where savings and investments are channeled between the suppliers who have capital and those

	who are in need of capital. The entities that have capital include retail and institutional investors while those who seek capital are businesses, governments, and people. Capital markets are composed of primary and secondary markets. The most common capital markets are the stock market and the bond market. (Investopedia, 2019)
Commercial Paper Market	Commercial paper is a commonly used type of unsecured, short-term debt instrument issued by corporations, typically used for the financing of payroll, accounts payable and inventories, and meeting other short-term liabilities. Maturities on commercial paper typically last several days, and rarely range longer than 270 days. Commercial paper is usually issued at a discount from face value and reflects prevailing market interest rates. (Investopedia, 2019)
Credit Rating Agency	Credit rating agencies assess the financial strength of companies and government entities, especially their ability to meet principal and interest payments on their debts. The issuer contracts with the rating agency to rate its debt. Prior to any new debt issuance or merger and acquisition activity, the rating agency reviews non-public corporate models. The rating assigned to a given debt shows an agency's level of confidence that the borrower will honor its debt obligations as agreed. Each agency uses unique letter-based scores to indicate if a debt has a low or high default risk and the financial stability of its issuer. The debt issuers may be sovereign nations, local and state governments, special purpose institutions, companies, or non-profit organizations. financial strength of companies and is a highly concentrated industry, with the "Big Three" credit rating agencies controlling approximately 95% of the ratings business. Moody's Investors Service and Standard & Poor's (S&P) together control 80% of the global market, and Fitch Ratings controls a further 15%.
Credit Risk	Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. Excess cash flows may be written to provide additional cover for credit risk. Although it's impossible to know exactly who will default on obligations, properly assessing and managing credit risk can lessen the severity of a loss. Interest payments

	from the borrower or issuer of a debt obligation are a lender's or investor's reward for assuming credit risk. (Investopedia, 2019)
Equity Market	Equity markets involve the purchase and sales of stocks, conducted on regular trading exchanges. All stock markets, no matter the type, can be volatile and experience significant highs and lows in regard to share values. Operating in equity markets involves taking on substantial amounts of risk in the belief that much greater returns will be obtained. Success with equity investing involves greater amounts of research and follow-up on investments than is required with fixed income investments. Compared with bond portfolios, the holdings of equity portfolios have a substantially higher turnover rate. Equity investments symbolize interest of ownership in a corporation, while bonds are solely a financial, interest-earning investments. (Investopedia, 2019)
Fixed-income Market	The fixed-income market, more commonly referred to as the debt securities market or the bond market, consists of bond securities issued by the federal government, corporate bonds, municipal bonds and mortgage debt instruments. The bond market is referred to as a capital market since it provides the capital financing for long-term investments. Debt security investments are generally seen as less risky than equity investments. As such, they typically offer lower potential returns. Debt security investments are traded over the counter (OTC) instead of being centrally traded on exchanges. Bonds are the most common form of debt security. Mortgage instruments are also part of this category. (Investopedia, 2019)
Institutional Sales/Syndications	The institutional sales team manages investor relationships and market new debt and equity issues to external buy-side investors.
Investment Bank	Investment Bank is a financial institution that underwrites security issuances (both debt and equity) and sells them to investors. Goldman Sachs, Citibank, JP Morgan, and Barclays are common investment banks. Investment banks underwrite new debt and equity securities for all types of corporations, aid in the sale of securities, and help to facilitate mergers and acquisitions, reorganizations and broker trades for both institutions and private investors. Investment banks also

provide guidance to issuers regarding the issue and placement of stock. Typically investment banks work with a group of investment banks, called a syndicate to underwrite an issue to spread out the risk.

Investment Banker (Banker)	An investment banker is an individual who works in a specific division of the investment bank which advises client corporations on capital raising activities both debt and equity issuances as well as mergers and acquisitions. The banker controls the relationship to the corporation.
Junk Bond	A junk bond is a fixed-income instrument that refers to a high-yield or noninvestment-grade bond. Junk bonds carry a credit rating of BB or lower by Standard & Poor's (S&P), or Ba or below by Moody's Investors Service. Junk bonds are so called because of their higher default risk in relation to investment-grade bonds.
Liquidity Risk	Liquidity is a term used to refer to how easily an asset or security can be bought or sold in the market. It basically describes how quickly something can be converted to cash. There are two different types of liquidity risk. The first is funding liquidity or cash flow risk, while the second is market liquidity risk, also referred to as asset/product risk. (Investopedia, 2019)
Sell-side	Sell side refers to the part of the financial industry that is involved in the creation, promotion and sale of stocks, bonds, foreign exchange and other financial instruments. Sell-side individuals and firms work to create and service products that are made available to the buy side of the financial industry.
Sell-Side Research Analyst	A research analyst is a person who prepares investigative reports on securities or assets for in-house or client use. A sell-side analysts’ research effort is to inquire, confirm or revise facts, principles and theories for an external financial client. The report an analyst prepares entails the examination of public records of securities of companies or industries, and often concludes with a "buy," "sell" or "hold" recommendation.
Wall Street	Wall Street is often used to refer to the financial business which historically been carried out on Wall Street located in

lower Manhattan. The New York Stock Exchange is still located on Wall Street although most other firms including Goldman Sachs and JP Morgan have moved to other parts of the city.