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Capital Market

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Capital Market

A capital market may be a financial market during which long-term debt (over a year) or equity-backed securities are bought and sold,[6] in contrast to a market where short-term debt is bought and sold. Capital markets channel the wealth of savers to those that can put it to long-term productive use, like companies or governments making long-term investments.[a] Financial regulators like Securities and Exchange Board of India (SEBI), Bank of England (BoE) and therefore the U.S. Securities and Exchange Commission (SEC) oversee capital markets to guard investors against fraud, among other duties.

Transactions on capital markets are generally managed by entities within the financial sector or the treasury departments of governments and corporations, but some are often accessed directly by the general public. As an example, within the us , any American citizen with an online connection can create an account with Treasury Direct and use it to shop for bonds within the primary market, though sales to individuals form only a small fraction of the entire volume of bonds sold. Various private companies provide browser-based platforms that allow individuals to shop for shares and sometimes even bonds within the secondary markets. There are many thousands of such systems, most serving only small parts of the general capital markets. Entities hosting the systems include stock exchanges, investment banks, and government departments. Physically, the systems are hosted everywhere the planet, though they have a tendency to be concentrated in financial centres like London, New York, and Hong Kong.

Definition

Capital market are often either a primary market or a secondary market. During a primary market, new stock or bond issues are sold to investors, often via a mechanism referred to as underwriting. the most entities seeking to boost long-term funds on the first capital markets are governments (which could also be municipal, local or national) and business enterprises (companies). Governments issue only bonds, whereas companies often issue both equity and bonds. the most entities purchasing the bonds or stock include pension funds, hedge funds, sovereign wealth funds, and fewer commonly wealthy individuals and investment banks trading on their own behalf. within the secondary market, existing securities are sold and purchased among investors or traders, usually on an exchange, over-the-counter, or elsewhere. The existence of secondary markets increases the willingness of investors in primary markets, as they know they're likely to be ready to swiftly live their investments if the necessity arises.

A second important division falls between the stock markets (for equity securities, also referred to as shares, where investors acquire ownership of companies) and therefore the bond markets (where investors become creditors.

Capital controls

Capital controls are measures imposed by a state's government aimed toward managing capital account transactions in other words, capital market transactions where during alone amongst one in every of"> one among the counter-parties involved is in a foreign country. Whereas domestic regulatory authorities attempt to make sure that capital market participants trade fairly with one another , and sometimes to make sure institutions like banks don't take excessive risks, capital controls aim to make sure that the macroeconomic effects of the capital markets don't have a negative impact. Most advanced nations wish to use capital controls sparingly if in the least, as in theory allowing markets freedom may be a win-win situation for all involved: investors are liberal to seek maximum returns, and countries can enjoy investments which will develop their industry and infrastructure. However, sometimes capital market transactions can have a net negative effect: for instance, during a financial crisis, there is often a mass withdrawal of capital, leaving a nation without sufficient foreign-exchange reserves to buy needed imports. On the opposite hand, if an excessive amount of capital is flowing into a rustic, it can increase inflation and therefore the value of the nation's currency, making its exports uncompetitive.

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