

International Financial Markets

Meaning

The International Financial Market is the place where financial wealth is traded between individuals (and between countries). It can be seen as a wide set of rules and institutions where assets are traded between agents in surplus and agents in deficit and where institutions lay down the rules. In short, the international financial market is the worldwide marketplace in which buyers and sellers trade financial assets, such as stocks, bonds, currencies, commodities and derivatives, across national borders.

The institutions or agencies of International Financial Markets

The institutions or agencies of International Financial Markets that serve as the sources of international funds are:

1. Multilateral development banks or agencies
2. Government / governmental agencies
3. International banks
4. Securities market

Segments of International Financial Markets

The following are the segments of International Financial Markets:

1. **Foreign Exchange Market:** The Foreign Exchange Market is the world's largest financial market. Foreign exchange market is the market for the purchase and sale of foreign currencies. Borrowing or investing internationally requires the use of foreign exchange market for conversion of currencies. The foreign exchange market facilitates international trade and international transactions.

2. **International Bond Market:** Foreign bonds and Euro bonds are the two types of international bonds. International bond market also includes a) Sinking fund bonds b) Convertible bonds c) Floating rate notes e) Global bonds.

3. **International Equity Market:** Equity capital for a company is raised through the issue of shares. A multinational company would often like to raise equity capital from different countries by issuing shares in those countries. These shares are then traded in the stock exchange of the country.

4. **International Money Market:** International Money market is the market for transfer of short-term funds. In international money market, transactions take place in a variety of different currencies. International banks and financial institutions across the world are the major suppliers of funds in these markets, while MNCs and governments of different countries are the major users of these funds. The European money market is an important part of the international money market.

5. **International Credit Market:** International Credit market refers to the market through which companies and governments issue debt to investors, such as investment-grade bonds, junk bonds, and short-term commercial paper. Sometimes called the debt market, the credit market also includes debt offerings, such as notes and securitized obligations, including collateralized debt obligations (CDOs), mortgage-backed securities, and credit default swaps (CDS).