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Lecture 05: Financial securities.

1_The meaning of financial securities:

Securities are tradable assets representing ownership in a financial instrument .Common examples include: stocks bonds and derivatives. These securities enable investors to buy, sell and trade financial assets in capital markets, facilitating investments and risk management.

2_ Types of financial securities:

Equity securities: commonly known as stocks and shares represent ownership in a company.

- **Stocks and shares**: represent ownership in a company and give the holder claim on the company's assets and earnings.

Debt securities:

Debt securities, meanwhile, are borrowed money which must be paid back at the end of a fixed term .these securities include bonds, debentures and notes.

- **Bonds**: bonds are debt securities issued by governments, corporations, or other entities to raise capital.

Hybrid securities:

Hybrid securities combine features of both equity and debt securities. Convertible bonds are common example of hybrid securities.

Derivative securities:

Derivative securities derive their value from an underlying assert such as stocks bonds commodities etc. Options and futures contracts are examples of derivatives.

- **Options**: provide investors the right to, but not the obligation to buy or sell an underlying asset at a specified price within a certain time frame.

- **Futures:** future contracts oblige traders to buy or sell an asset at predetermined price on a specific future date.

3_ the role of financial securities:

- They allow companies and governments to raise capital by selling ownership stakes or borrowing money from investors**.**
- Investors can buy and sell securities on financial markets to earn a return on their investment.
- Securities help to allocate capital efficiently by connecting savers with borrowers and providing liquidity in the market.