

Chapter 2: Building an investment portfolio

Video 1

Understanding capital markets

Capital markets

The part of a financial system that brings buyers and sellers together to trade stocks, bonds, currencies and other long-term investments.

Capital structure

Refers to how a company finances its ongoing operations and growth by using different sources of money. It is essentially the mixture of how much money the company borrows (debt) and how much it gets from selling ownership shares (equity).

Debt securities

Debt securities, which are also referred to as “bonds,” are financial assets that are created when one party lends money to another and are traded on the bond market. For example, corporate bonds are debt securities issued by corporations and sold to investors.

Equity securities

Equity securities, which are also referred to as “stocks,” are financial assets that represent ownership of a corporation and are traded on the stock market or stock exchange.

Primary market

The primary market is where securities are created. New stocks and bonds are sold to the public for the first time in the primary market, such as in an initial public offering (IPO).

Secondary market

The secondary market is often referred to as the “stock market.” This is where existing securities are traded among investors. For example, the Toronto Stock Exchange (TSX), the New York Stock Exchange (NYSE), NASDAQ, etc.