

Name \_\_\_\_\_

## Money Magic: Investment Banking and Capital Markets

### Short Answer Key

1. Investment banks help companies raise capital by assisting in the issuance of stocks or bonds to investors. They also provide financial advice, underwrite securities, and facilitate mergers and acquisitions to support a company's growth.
2. The stock market is where companies issue shares of stock to raise capital, and investors buy and sell these shares, becoming shareholders in the company. The bond market is where entities, including companies and governments, borrow money by issuing bonds to investors, who receive interest payments over time. Stocks represent ownership in a company, while bonds are debt securities representing loans to issuers.
3. Individuals typically buy and sell securities in capital markets through brokers, online trading platforms, or stock exchanges. They place orders to buy or sell specific securities, and transactions are executed electronically or through brokerage firms.
4. Transparency is crucial in capital markets to ensure that investors have access to accurate and timely information about securities. It builds trust, allows investors to make informed decisions, and promotes fair trading practices. Without transparency, markets can be manipulated or become unfair to participants.
5. Capital markets support economic growth by providing companies with access to capital. When companies raise funds by issuing stocks or bonds, they can invest in expansion, innovation, and job creation. This, in turn, stimulates economic activity and contributes to overall economic growth.

