

- Usually in the form of bonds.
- Government bond markets are very important due to their size and liquidity.
- Equity Market
- New issues of shares are initial public offering (IPO).
- Investment banking firm typically acts as the underwriter.
- **Financial Markets Overview**
- **Main Functions of the RBA**
- The functions performed by the RBA include:
 - Developing and implementing monetary policy.
 - Issuing currency.
 - Providing banking services for the government.
 - Overseeing the operations of the financial system.
 - Facilitating the payments system.
 - Essential to support the day-to-day business of an economy.
- **Summary**
- Circular flow of income showed the key role of financial institutions interconnecting the five sectors.
- Key aspect of the financial system is to gather money from SSUs and transfer it to DSUs in an efficient manner.
- Direct finance operates in the wholesale market where DSUs and SSUs trade financial claims among themselves.
- Indirect finance operates in the retail markets, where financial institutions *intermediate* transactions between DSUs and SSUs.
- **Summary**
- Financial claims are initially sold on primary markets and then traded in secondary markets.
- Financial markets are created to satisfy particular preferences of market participants.
- The central bank oversees the operations of the financial system and facilitates the payments system.

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