

Chapter 11

Objectives

- Explain how market-oriented financial systems improve the allocation of saving
- Define financial intermediaries and discuss their comparative advantage
- Define Bond, Principle amount, coupon rate and coupon payment
- Discuss the factors affecting the coupon rate and price of a bond
- Define stock dividend and risk premium
- Discuss the factors affecting stock price
- Explain what happens in international capital markets
- Discuss how international capital flows affect the balance of trade
- List and explain the determinants of international capital flows