**MARKETS AND INTEREST RATES (РЫНКИ И НОРМА ПРОЦЕНТА)**

For each type of investment and for many of their *derivatives* there is a market. There is a market in money in London. It is not a physical marketplace: dealings take place over the telephone, and the price a borrower pays for the use of money is the interest rate. There are markets in commodities. And there is a market in government bonds and company shares:

***the stock market.*** The important thing is that no market is entirely independent of the others. *The linking factor* is the cost of money (or the return an investor can get on money). If interest rates rise or fall there is likely to be *a ripple of movement through all the financial markets.* Money will *gravitate* to where it earns the best return, *commensurate with* the risk the investor is prepared to take and the length of time for which he can *tie up* his money. This is the most important mechanism in the financial sphere. As a ***general rule:*** The more money you have to invest, the higher the return you can expect. The longer you are prepared to tie your money up, the higher the return you can expect. The more risk you are prepared to take, the higher the return you can expect if all goes well. In either type of market, the buyers and the sellers may deal direct with each other or they may deal through *a middleman* known as *a market maker.* If they deal direct, each would-be buyer has to find a corresponding would-be seller. If there is a market maker, a seller will sell instead to the market maker, who buys *on his own account* in the hope that he will later be able to find a buyer to whom he can sell at a profit. Market makers make a book in shares or bonds. They are prepared to buy shares in the hope of finding somebody to sell to or sell shares (which they may not even have) in the expectation of finding somebody from whom they can buy to balance their books. Either way, they make their living on the difference between the prices at which they buy and sell. Market makers (in practice there will normally be a number of them competing with each other) lend liquidity  – *fluidity*  – to a market. A potential buyer can always buy without needing to wait until he can find a potential seller, securities can readily be turned into cash.

*Answer the questions*

1. What are different types of investment and what are the corresponding markets?
2. Dwell on each item.
3. What is a market maker?
4. does he make the market?
5. What is the most important mechanism in the financial sphere