

## Course 6: Finance and financial markets

Read the following paragraphs. Are the statements true or false?

The stock market allows investors to deal in securities second hand, that is to say that shares and bonds are traded, long after they were initially sold into the market. Trading in this secondary market does not therefore directly alter the capital available to a company for investment. However, companies cannot ignore the value of their stocks in the market, as the share price indicates investor confidence in the market in general and in the company in particular. If the share price of a company falls too much, relative to the market, the company may become a target for acquisition. When such acquisitions by other companies are successful, they usually lead to restructuring, which threatens both the jobs of managers and workers. This is especially the case for hostile takeover bids. Also, many senior executives are themselves shareholders or have stock-options to buy shares in the company. When the stock price falls, their own personal wealth falls too.

- 1) Funds invested in stock markets are available for investment in plant and equipment.
- 2) Companies do not have to worry about their share price.
- 3) A takeover by another company presents an opportunity for a company's management.
- 4) Senior executives' wealth is often related to a company's stock market performance.

In contrast, a rising share price gives companies greater room for manoeuvre in issuing extra stock – bonds or shares – and also in engaging in M&A activity. This explains why it was easier for Internet companies to float their shares in a bull market as occurred in technology stocks during the late 1990s, or has been the case more recently. To do this, companies use IPOs, Initial Public Offerings. A bear market makes it considerably more difficult to sell new shares into the market. IPOs and other flotations are very much a way for initial investors to get back their capital.

- 5) Falling share prices have no impact on stock market flotations.
- 6) The bull market allowed start-up TMT companies to go public, using IPOs.
- 7) A strong share price hinders a firm from using its stocks to acquire others.

stock market	la bourse
stocks, securities shares bonds	titres actions obligations
stocks rise/are rising	les actions montent
stocks dip, dipped	les actions baissent, ont baissé légèrement les actions ont plongé
stocks plunged	
session at mid-session	séance à la mi-séance
to rally a market rally  a bull market  a bear market	rallier une reprise (des marches) marché orienté à la hausse marché en baisse
to report a profit / loss	déclarer des bénéfices/ pertes
mergers and acquisitions (M&A) to acquire a takeover bid	fusions et acquisitions  acquérir offre public d'achat (OPA)
to merge	fusionner

IPO - Initial Public Offering	PAPE – Premier appel public à l'épargne
profit warning	avertissement sur les résultats
forecasts	prévisions
a bond issue	une émission d'obligations
bond yields	les taux d'obligations
stock index (indices)	indice(s) des actions
a stock broker	courtier
an investment fund	un fonds d'investissement
pension fund	un fonds de pension
institutional investors	investisseurs institutionnels
a loan fixed-rate loan variable rate loan mortgage loan	un prêt un prêt à taux fixe un prêt à t. variable une hypothèque
option(s) futures market	options marché à terme

Complete the following sentences:

*over-valued bank rise bear acquire loss safer shares*

- 1) A fall in interest rates will usually lead stock prices to \_\_\_\_\_ .
- 2) A firm seeking to \_\_\_\_\_ another company, normally offer its shareholders a premium above the market price.
- 3) The 1980s saw a significant switch from corporate finance out of \_\_\_\_\_ loans and into the sale of securities.
- 4) Securities offer investors \_\_\_\_\_ assets because they are more liquid.
- 5) To finance mergers, companies frequently exchange \_\_\_\_\_ .
- 6) If present share prices are still over-valued, the \_\_\_\_\_ market may return.
- 7) As company profits fall, share prices remain \_\_\_\_\_ .
- 8) A quarterly \_\_\_\_\_ by a company is likely to lead to a fall in its share price.