

高等学校经济类双语教学推荐教材

PEARSON

ECONOMICS
CLASSICS

Economics

经济学经典教材·金融系列

Classics

金融市场

与机构

(第六版) (精编版)

Financial Markets

& Institutions

(Sixth Edition)

弗雷德里克·S·米什金 (Frederic S. Mishkin)

斯坦利·G·埃金斯 (Stanley G. Eakins)

著

李国重 改编

中国人民大学出版社

PEARSON

ALWAYS LEARNING

高等学校经济类双语教学推荐教材



经济学经典教材·金融系列

金融市场与机构

(第六版) (精编版)

Financial Markets & Institutions

(Sixth Edition)

弗雷德里克·S·米什金 (Frederic S. Mishkin) 著
斯坦利·G·埃金斯 (Stanley G. Eakins)
李国重 改编

中国人民大学出版社

· 北京 ·

图书在版编目 (CIP) 数据

金融市场与机构: 第6版: 精编版/米什金, 埃金斯著; 李国重改编. —北京: 中国人民大学出版社, 2012
经济学经典教材·金融系列
ISBN 978-7-300-15816-7

I. ①金… II. ①米…②埃…③李… III. ①金融市场-高等学校-教材②金融机构-高等学校-教材 IV. ①F830

中国版本图书馆 CIP 数据核字 (2012) 第 102996 号

高等学校经济类双语教学推荐教材
经济学经典教材·金融系列
金融市场与机构 (第六版) (精编版)
弗雷德里克·S·米什金 著
斯坦利·G·埃金斯
李国重 改编
Jinrong Shichang yu Jigou

出版发行 中国人民大学出版社
社 址 北京中关村大街 31 号 邮政编码 100080
电 话 010-62511242 (总编室) 010-62511398 (质管部)
010-82501766 (邮购部) 010-62514148 (门市部)
010-62515195 (发行公司) 010-62515275 (盗版举报)
网 址 <http://www.crup.com.cn>
<http://www.ttrnet.com> (人大教研网)
经 销 新华书店
印 刷 涿州市星河印刷有限公司
规 格 215 mm×275 mm 16 开本 版 次 2012 年 6 月第 1 版
印 张 34.5 插页 1 印 次 2012 年 6 月第 1 次印刷
字 数 774 000 定 价 59.00 元

版权所有 侵权必究 印装差错 负责调换

出 版 说 明

随着金融全球化进程的不断加快，金融人才的竞争日益激烈，用国际通用的英语来思考、工作、交流的能力也越来越重要。如何顺应这一潮流，培养和造就专业知识和语言水平都具有竞争力的金融人才，一直是各大高等院校和一些主要教材出版单位思考的重要问题，开展双语教学是教育界的共识。双语教学在我国主要指采用汉语和国际通用的英语教学，目的是培养全面的适合国际交流的高素质人才。由于我国长期以来缺乏英语交流的环境，开展双语教学面临着特殊的困难，我们认为双语教学从一开始就应该使用原版的优秀教材，保证语言的原汁原味。

顺应这一潮流，中国人民大学出版社携手国际著名的出版公司，推出了适合经济金融专业的双语系列教材。本套教材具有如下几个特色：

第一，精选教材。本套教材遴选了一批国外优秀的教材，涉及金融学、投资学、公司理财、金融市场与机构、国际货币与金融、国际投资、跨国公司财务管理、金融工程、银行管理、保险学等多门课程，涵盖了金融专业开设的主要必修科目。

第二，保持原教材的特色。本套双语教材广泛听取了一线任课教师的意见和建议，考虑到课时要求，部分图书采用了删减影印的形式，主要是删减了一些相互重复的以及不适应我国国情的内容，但在体系结构和内容特色方面都保持了原教材的风貌。

第三，内容紧扣学科前沿。本套教材基本上都选择国外最流行教材的最新版本，有利于老师和学生掌握国外教学研究的最新发展趋势。

第四，提供强大的教学支持。依托国外大出版公司的力量，本套教材为教师提供了配套的网上教辅资料，如教师手册、PPT课堂演示文稿、试题库等，从而使教学更为便利。

本套教材主要适用于高等院校经济金融专业的本科教学，同时也适用于金融行业从业人员以及对金融专业感兴趣的人士。

本套教材是对双语教学的积极探索，错误遗漏之处在所难免，恳请广大读者指正。

中国人民大学出版社

Preface



A Note from Frederic Mishkin

Despite my accepting a position in September 2006 that restricts my activities, I remain as committed as ever to educating financial markets and institutions students. I am honored that each year thousands of students throughout the world learn about the financial markets and institutions by reading this book. With this honor comes a personal responsibility that I take very seriously. In every new edition, and this one is no exception, I, with my coauthor Stan Eakins, take great care to craft a better book, page by page. While not typical of many textbook authors, I also write most of the Instructor's Manual so that I have the opportunity to share my teaching experiences with other professors teaching this course. In order to make sure that this revision is the best possible, I delayed my start date for my new position in order to complete my work on this new edition before I began working there. The result is that with Stan Eakins's help, the sixth edition of *Financial Markets and Institutions* is another major revision that features substantial changes throughout the book, including substantial reorganization of old chapters, and much new material to keep the book current. I believe that this sixth edition of *Financial Markets and Institutions* will be as exciting as previous editions, if not more so, for students new to the subject.

August 2007

Hallmarks

Although this text has undergone a major revision, it retains the basic hallmarks that make it the best-selling textbook on financial markets and institutions. The sixth edition of *Financial Markets and Institutions* is a practical introduction to the workings of today's financial markets and institutions. Moving beyond the descriptions and definitions provided by other textbooks in the field, *Financial Markets and Institutions* encourages students to understand the connection between the theoretical concepts and their real-world applications. By enhancing students' analytical abilities and concrete problem-solving skills, this textbook prepares students for successful careers in the financial services industry or successful interactions with financial institutions, whatever their jobs.

To prepare students for their future careers, *Financial Markets and Institutions* provides the following features:

- A unifying analytic framework that uses a few basic principles to organize students' thinking. These principles include:

Asymmetric information (agency) problems
 Conflicts of interest
 Transaction costs
 Supply and demand
 Asset market equilibrium
 Efficient markets
 Measurement and management of risk

- “The Practicing Manager,” nearly twenty hands-on applications that emphasize the financial practitioner’s approach to financial markets and institutions.
- A careful step-by-step development of models that enables students to master the material more easily.
- A high degree of flexibility that allows professors to teach the course in the manner they prefer.
- Complete integration of international perspectives throughout the text.
- “Following the Financial News” and “Case: The *Wall Street Journal*,” features that encourage the reading of a financial newspaper.
- Numerous cases that increase students’ interest by applying theory to real-world data and examples.
- A focus on the impact of electronic (computer and telecommunications) technology on the financial system. The text makes extensive use of the Internet with Web sources for charts and tables, and Web references in the margins. It also features special E-Finance boxes that explain how changes in technology have affected financial markets and institutions.

What’s New in the Sixth Edition

In addition to the expected updating of all data through the end of 2007 whenever possible, there is major new material in every part of the text.

New Material on Financial Markets and Institutions

In light of ongoing research and changes in financial markets and institutions, we have added the following new material to keep the text current:

- Discussion of the yield curve as a forecasting tool for inflation and the business cycle (Chapter 5)
- A new box on the problems of the Pension Benefit Guarantee Corporation (“Penny Benny”) (Chapter 18)
- A new section on the rapidly growing markets in credit derivatives, including a discussion of credit options, credit swaps, and credit-linked notes (Chapter 21)

Enhanced Coverage of the European Central Bank

Until recently, the U.S. Federal Reserve had no rivals in terms of importance in the central banking world. However, this situation changed in January 1999 with the start-up of the European Central Bank (ECB). The ECB now conducts monetary policy for countries that are members of the European Monetary Union, which collectively have a population that exceeds that in the United States and a GDP comparable to that of the United States. In recognition of students’ growing interest in the workings of the ECB, we have added the following new material:

- A new section, “Structure and Independence of the European Central Bank”

(Chapter 6)

- A new section, “Monetary Policy Tools of the European Central Bank” (Chapter 7)
- Discussion of the European Central Bank’s monetary policy strategy (Chapter 7)

New Material on Monetary Policy

Drawing on my continuing involvement with central banks around the world, we have added new material to keep the discussion of monetary theory and policy current:

- A new section on whether price stability should be the primary goal of monetary policy (Chapter 7)
- An examination of whether hierarchical versus dual mandates are better for central banks (Chapter 7)
- A new box on the new Federal Reserve Chairman, Ben Bernanke, and his views on inflation targeting (Chapter 7)

Increased International Perspective and Coverage of China

Given the continuing and growing importance of the global economy and China’s role in it, we have incorporated new material with an international focus. A special “global icon” designates these text sections and cases, and Global boxes report on specific international developments.

New to this edition:

- A box on why the large U.S. current account deficit worries economists (Chapter 13)
- An exploration of how China has accumulated over \$1 trillion of international reserves and has become one of the largest holders of U.S. Treasury securities (Chapter 13)
- An examination of problems in the Chinese banking system (Chapter 16)

Simpler Supply and Demand Analysis for the Foreign Exchange Market

Using the interest parity condition to explain the determination of exchange rates has always been challenging for some students. We have used this approach in past editions, however, because it is based on the modern asset market approach to exchange rate determination—a standard in the literature. It emphasizes that what drives exchange rate fluctuations are changes in relative expected returns and, as a result, can explain large day-to-day fluctuations in foreign exchange rates, which are not well explained by older supply and demand frameworks often used in other texts.

Although the asset market approach is the way economists currently think about exchange rate determination, it has one major drawback: It is difficult for many students to understand. Through our teaching we discovered that there is a way to explain an asset market approach to exchange rate determination that is embedded in a more conventional supply and demand framework, which many students find far easier to comprehend. Chapters 12 and 13 now provide a supply and demand analysis for assets denominated in a currency, and emphasize that the demand for these assets depends on their expected return relative to assets denominated in foreign currencies. Not only is this framework easier for students to work with, but it also allows the instructor to discuss cases in which domestic and foreign assets are not perfect substitutes for each other and, therefore, has the additional advantage of being more general. Nonetheless, this new framework produces all of the same results that the interest-parity model of previous editions produces (as is pointed out in the text). In our experience, this new approach has enjoyed great success in the classroom.

Supplementary Materials

The sixth edition of *Financial Markets and Institutions* includes the most comprehensive program of supplementary materials of any textbook in its field. These items are available to qualified domestic adopters but in some cases may not be available to international adopters. These include the following items:

For the Professor

1. **Instructor's Manual:** This manual, prepared by the authors, includes sample course outlines, chapter outlines, overviews, teaching tips, and complete solutions to questions and problems in the text.
2. **PowerPoint:** Prepared by John Banko (University of Central Florida). The presentation, which contains lecture notes and the complete set of figures and tables from the textbook, contains more than 850 slides that comprehensively outline the major points covered in the text.
3. **Instructor's Resource CD-ROM:** Contains Word and PDF files for the Instructor's Manual and Test Bank, PowerPoint presentations, the Computerized Test Bank, and animated graphs from the text.
4. **Test Bank:** Updated and revised by Stanley G. Eakins, Emanuel Hill, and Kyle Reeves (East Carolina University). Available in both print and electronic form, the Test Bank comprises over 2500 multiple-choice, true-false, and essay test items. The Test Bank is computerized so that the instructor can easily produce exams automatically.
5. **Mishkin-Eakins Companion Web Site** (located at http://www.prenhall.com/mishkin_eakins), which features a Web chapter on finance companies, Web appendices, mini-cases, animated graphs, and links to relevant data sources and Federal Reserve Web sites. The site also offers multiple-choice quizzes for each chapter.
6. The student materials on the Companion Web site and the instructor's test bank are also available in Blackboard™. This powerful course management system enable professors to tailor content and functionality to meet their individual course needs. Please contact your local sales representative or visit our Instructor Resource Center at <http://www.prenhall.com/irc>, for more information.

For the Student

1. **Study Guide:** Updated and revised by Frederick P. Schadler (East Carolina University). Includes chapter synopses and completions, exercises, self-tests, and answers to the exercises and self-tests.
2. **Readings in Financial Markets and Institutions**, edited by James W. Eaton of Bridgewater College and Frederic S. Mishkin. Updated annually, with numerous new articles each year, this valuable resource is available online at the book's Web site (www.prenhall.com/mishkin_eakins).
3. **Mishkin-Eakins Companion Web site** (located at www.prenhall.com/mishkin_eakins) includes a Web chapter on finance companies, Web appendices, animated graphs, glossary flashcards, numerical and integrative mini-cases, self-assessment quizzes, Web exercises, and links from the textbook.

Frederic S. Mishkin
Stanley G. Eakins

尊敬的老师：

您好！

为了确保您及时有效地申请培生整体教学资源，请您务必完整填写如下表格，加盖学院的公章后传真给我们，我们将会 在 2~3 个工作日内为您处理。

请填写所需教辅的开课信息：

采用教材			<input type="checkbox"/> 中文版 <input type="checkbox"/> 英文版 <input type="checkbox"/> 双语版
作者		出版社	
版次		ISBN	
课程时间	始于 年 月 日	学生人数	
	止于 年 月 日	学生年级	<input type="checkbox"/> 专科 <input type="checkbox"/> 本科 1/2 年级 <input type="checkbox"/> 研究生 <input type="checkbox"/> 本科 3/4 年级

请填写您的个人信息：

学校			
院系/专业			
姓名		职称	<input type="checkbox"/> 助教 <input type="checkbox"/> 讲师 <input type="checkbox"/> 副教授 <input type="checkbox"/> 教授
通信地址/邮编			
手机		电话	
传真			
official email (必填) (eg: ×××@ruc.edu.cn)		email (eg: ×××@163.com)	
是否愿意接受我们定期的新书讯息通知： <input type="checkbox"/> 是 <input type="checkbox"/> 否			

系/院主任：_____（签字）

（系 / 院办公室章）

_____年__月__日

资源说明：

——教材、常规教辅（PPT、教师手册、题库等）资源：请访问 www.pearsonhighered.com/educator；（免费）

——MyLabs/Mastering 系列在线平台：适合老师和学生共同使用；访问需要 Access Code。（付费）

100013 北京市东城区北三环东路 36 号环球贸易中心 D 座 1208 室

电话：(8610) 57355169

传真：(8610) 58257961

Please send this form to: Service.CN@pearson.com

中国人民大学出版社经济类英文原版教材

序号	中文书名	英文书名	作者	Author	定价 (元)	出版 年份	ISBN
----	------	------	----	--------	-----------	----------	------

(一) 国际贸易系列

1	国际经济关系(第六版)	International Economic Relations, 6e	琼·E·斯佩罗等	Joan E. Spero	43	2009	978-7-300-10635-9
2	国际贸易(第六版)	International Trade, 6e	丹尼·R·阿普尔亚德等	Dennis R. Appleyard	45	2009	978-7-300-10342-6
3	国际经济学(第二版)	International Economics, 2e	W·查尔斯·索耶等	W. Charles Sawyer	36	2009	978-7-300-10074-6
4	国际商务谈判(第五版)	International Business Negotiation, 5e	罗伊·J·列维奇等	Roy J. Lewicki	39	2008	978-7-300-09795-4
5	国际商法	International Business Law	约翰·H·威尔斯等	John H. Willes	46	2008	978-7-300-09687-2
6	国际商务(第五版)	International Business, 5e	里基·W·格里芬等	Ricky W. Griffin	45	2008	978-7-300-09686-5
7	国际营销(第三版)	International Marketing, 3e	汉斯·米尔鲍尔等	Hans Muhlbacher	56	2008	978-7-300-09408-3
8	世界经济(第四版)	World Economics, 4e	詹姆斯·格伯	James Gerber	25	2008	978-7-300-09688-9
9	国际贸易(第十三版)	International Trade, 13e	罗伯特·J·凯伯	Robert J. Carbaugh	38	2012	978-7-300-15477-0
10	国际金融(第十三版)	International Finance, 13e	罗伯特·J·凯伯	Robert J. Carbaugh	28	2012	978-7-300-15476-3

(二) 金融系列

1	国际投资(第六版)全文影印版	Global Investments, 6e	布鲁诺·索尔尼克等	Bruno Solnik	69	2011	978-7-300-13623-3
2	金融学(第二版)全文影印版	Financial Economics, 2e	兹维·博迪等	Zvi Bodie	59	2011	978-7-300-13174-0
3	债券市场:分析与策略(第七版)	Bond Markets, Analysis and Strategies, 7e	弗兰克·J·法博齐	Frank J. Fabozzi	69	2010	978-7-300-12647-0
4	国际货币与金融(第七版)	International Money and Finance, 7e	迈克尔·梅尔文	Michael Melvin	36	2010	978-7-300-12483-4
5	资本市场:机构与工具(第四版)	Capital Markets, Institutions and Instruments, 4e	弗兰克·J·法博齐等	Frank J. Fabozzi	55	2010	978-7-300-12202-1
6	国际投资(第六版)	Global Investments, 6e	布鲁诺·索尔尼克等	Bruno Solnik	49	2010	978-7-300-11792-8
7	风险与保险原理(第九版)	Fundamentals of Risk and Insurance, 9e	埃米特·J·沃恩等	Emmett J. Vaughan	48	2008	978-7-300-08817-4
8	银行管理(第六版)	Bank Management and Financial Services, 6e	彼得·S·罗斯等	Peter S. Rose	46	2007	978-7-300-08510-4
9	跨国公司财务管理(第八版)	Multinational Financial Management, 8e	艾伦·C·夏皮罗	Alan C. Shapiro	43	2007	978-7-300-08156-4
10	金融工程	Financial Engineering Principles	佩里·H·博蒙特	Perry H. Beaumont	26	2007	978-7-300-08110-6
11	投资学	Basic Investments	赫伯特·B·梅奥	Herbert B. Mayo	40	2007	978-7-300-08155-7
12	公司理财(第五版)	Fundamentals of Corporate Finance, 5e	理查德·A·布雷利等	Richard A. Brealey	41	2007	978-7-300-07991-2
13	金融学(第四版)	The Financial System and the Economy, 4e	莫琳·伯顿等	Maureen Burton	39	2007	978-7-300-08019-2
14	金融市场与机构(第五版)	Financial Markets Institutions, 5e	弗雷德里克·S·米什金等	Frederic S. Mishkin	52	2007	978-7-300-07992-9
15	投资科学(国际版)	Investment Science	戴维·G·卡恩伯格	David G. Luenberger	48	2012	978-7-300-15480-0
16	风险管理与保险原理(第十一版)	Principles of Risk Management and Insurance, 11e	乔治·E·瑞达等	George E. Rejda	69	2012	978-7-300-15521-0
17	投资学基础(第三版)	Fundamentals of Investments, 3e	威廉·F·夏普等	William F. Sharpe	55	2012	978-7-300-15790-0
18	金融市场与机构(第六版)(精编版)	Financial Markets and Institutions, 6e	弗雷德里克·S·米什金等	Frederic S. Mishkin	59	2012	978-7-300-15816-7

(三) 财税系列

1	财政学(第九版)	Public Finance, 9e	大卫·N·海曼	David N. Hyman	29	2009	978-7-300-10752-3
2	税收筹划原理	Principles of Taxation	萨莉·M·琼斯等	Sally M. Jones	45	2009	978-7-300-10307-5

序号	中文书名	英文书名	作者	Author	定价(元)	出版年份	ISBN
----	------	------	----	--------	-------	------	------

(四)经济系列

1	卫生经济学(第六版)	The Economics of Health and Health Care, 6e	舍曼·富兰德等	Sherman Folland	68	2011	978-7-300-13175-7
2	计量经济学基础(第五版)	Basic Econometrics, 5e	达摩达尔·N·古扎拉蒂等	Damodar N. Gujarati	49	2010	978-7-300-12464-3
3	微观经济学	Microeconomics: A Modern Approach	安德鲁·斯科特	Andrew Schotter	49	2010	978-7-300-12004-1
4	宏观经济学:理论与政策(第九版)	Macroeconomics: Theories and Policies, 9e	理查德·T·弗罗恩	Richard T. Froyen	49	2010	978-7-300-12053-9
5	货币金融学(商学院版)	The Economics of Money, Banking, and Financial Markets	弗雷德里克·S·米什金	Frederic S. Mishkin	69	2010	978-7-300-12082-9
6	宏观经济学(第三版)	Macroeconomics, 3e	斯蒂芬·D·威廉森	Stephen D. Williamson	45	2009	978-7-300-11089-9
7	计量经济分析(第六版)	Econometric Analysis, 6e	威廉·H·格林	William H. Greene	49	2009	978-7-300-11206-0
8	金融学(第二版)	Financial Economics, 2e	兹维·博迪等	Zvi Bodie	48	2009	978-7-300-11139-1
9	宏观经济学(第二版)	Macroeconomics, 2e	斯蒂芬·D·威廉森	Stephen D. Williamson	68	2009	978-7-300-08767-2
10	中级微观经济学——理论与应用(第十版)	Theory and Application of Intermediate Microeconomics, 10e	尼克尔森等	Walter Nicholson	66	2009	978-7-300-08830-3
11	国际经济学(第十版)	International Economics, 10e	罗伯特·J·凯伯	Robert J. Carbaugh	49.80	2009	978-7-300-08831-0
12	统计学:在经济和管理中的应用(第八版)	Statistics for Economics and Management, 8e	杰拉德·凯勒等	Gerald Keller	48	2012	978-7-300-14840-3
13	高级微观经济理论(第三版)	Advanced Microeconomic Theory, 3e	杰弗里·A·杰里等	Geoffrey A. Jehle	68	2012	978-7-300-15523-4
14	现代劳动经济学(第十版)	Modern Labor Economics, 10e	罗纳德·G·伊兰伯格等	Ronald G. Ehrenberg	55	2012	978-7-300-15494-7
15	环境与自然资源经济学(第八版)	Environmental & Natural Resource Economics, 8e	汤姆·蒂坦伯格等	Tom Tietenberg	55	2012	978-7-300-15522-7

Authorized adaptation from the English language edition, entitled Financial Markets and Institutions, 6th Edition, 9780321374219 by Frederic S. Mishkin, Stanley G. Eakins, published by Pearson Education, Inc., publishing as Prentice Hall, Copyright © 2009 by Frederic S. Mishkin.

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or by any information storage retrieval system, without permission from Pearson Education, Inc.

English language adaptation edition published by PEARSON EDUCATION ASIA LTD. and CHINA RENMIN UNIVERSITY PRESS, Copyright © 2012.

ENGLISH language adaptation edition is manufactured in the People's Republic of China, and is authorized for sale only in People's Republic of China excluding Taiwan, Hong Kong and Macau.

本书英文改编版由培生教育出版公司授权中国人民大学出版社合作出版，未经出版者书面许可，不得以任何形式复制或抄袭本书的任何部分。

本书封面贴有 Pearson Education (培生教育出版集团) 激光防伪标签。无标签者不得销售。

仅限于中华人民共和国境内 (不包括中国香港、澳门特别行政区和中国台湾地区) 销售发行。

目 录

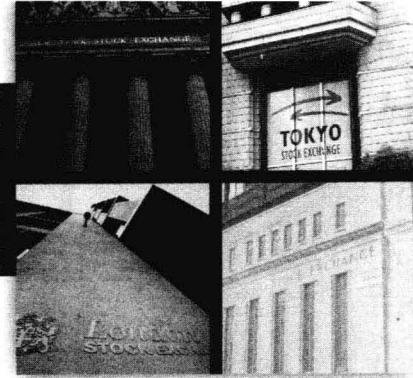
序言	i
第一部分 导论	
第 1 章 为什么要研究金融市场与机构?	3
第 2 章 金融体系概览	15
第二部分 金融市场基础	
第 3 章 利率的含义及其在估值中的作用	37
第 4 章 利率为什么会变动?	65
第 5 章 风险与期限结构如何影响利率?	89
第三部分 中央银行与货币政策的实施	
第 6 章 中央银行的结构与联邦储备体系	117
第 7 章 货币政策的实施:工具、目标、策略与手段	137
第四部分 金融市场	
第 8 章 货币市场	175
第 9 章 债券市场	199
第 10 章 股票市场	219
第 11 章 抵押市场	239
第 12 章 外汇市场	261
第 13 章 国际金融体系	289
第五部分 金融机构	
第 14 章 银行与金融机构的管理	315

第 15 章	商业银行业:结构与竞争	339
第 16 章	银行监管	369
第 17 章	共同基金	393
第 18 章	保险公司与养老基金	415
第 19 章	投资银行、证券经纪人与交易商及风险投资公司	441

第六部分 金融机构的管理

第 20 章	金融机构的风险管理	467
第 21 章	金融衍生工具的对冲交易	487
术语表	G1

Contents



<i>Preface</i>	i
PART ONE INTRODUCTION	1
Chapter 1 Why Study Financial Markets and Institutions?	3
Preview	3
Why Study Financial Markets?	4
Why Study Financial Institutions?	7
Applied Managerial Perspective	9
How We Will Study Financial Markets and Institutions	9
Chapter 2 Overview of the Financial System	15
Preview	15
Function of Financial Markets	16
Structure of Financial Markets	17
Internationalization of Financial Markets	20
■ GLOBAL Are U.S. Capital Markets Losing Their Edge?	21
Function of Financial Intermediaries: Indirect Finance	22
■ FOLLOWING THE FINANCIAL NEWS Foreign Stock Market Indexes	23
■ GLOBAL The Importance of Financial Intermediaries Relative to Securities Markets: An International Comparison	24
Types of Financial Intermediaries	26
Regulation of the Financial System	30
PART TWO FUNDAMENTALS OF FINANCIAL MARKETS	35
Chapter 3 What Do Interest Rates Mean and What Is Their Role in Valuation?	37
Preview	37
Measuring Interest Rates	38
■ GLOBAL Negative T-Bill Rates? Japan Shows the Way	47
The Distinction Between Real and Nominal Interest Rates	48
The Distinction Between Interest Rates and Returns	50
■ MINI-CASE With TIPS, Real Interest Rates Have Become Observable in the United States	51
■ MINI-CASE Helping Investors Select Desired Interest-Rate Risk	54
■ THE PRACTICING MANAGER Calculating Duration to Measure Interest-Rate Risk	55
Chapter 4 Why Do Interest Rates Change?	65
Preview	65
Determinants of Asset Demand	65

	Supply and Demand in the Bond Market	69
	Changes in Equilibrium Interest Rates	73
	■ CASE Changes in the Interest Rate Due to Expected Inflation: The Fisher Effect	78
	■ CASE Changes in the Interest Rate Due to a Business Cycle Expansion	80
	■ CASE Explaining Low Japanese Interest Rates	82
	■ CASE Reading the <i>Wall Street Journal</i> “Credit Markets” Column	82
	■ FOLLOWING THE FINANCIAL NEWS The “Credit Markets” Column	83
	■ THE PRACTICING MANAGER Profiting from Interest-Rate Forecasts	84
	■ FOLLOWING THE FINANCIAL NEWS Forecasting Interest Rates	85
Chapter 5	How Do Risk and Term Structure Affect Interest Rates?	89
	Preview	89
	Risk Structure of Interest Rates	89
	■ CASE The Enron Bankruptcy and the Baa–Aaa Spread	93
	■ CASE Effects of the Bush Tax Cut on Bond Interest Rates	96
	Term Structure of Interest Rates	96
	■ FOLLOWING THE FINANCIAL NEWS Yield Curves	97
	■ MINI-CASE The Yield Curve as a Forecasting Tool for Inflation and the Business Cycle	107
	■ CASE Interpreting Yield Curves, 1980–2008	108
	■ THE PRACTICING MANAGER Using the Term Structure to Forecast Interest Rates	109
PART THREE	CENTRAL BANKING AND THE CONDUCT OF MONETARY POLICY	115
Chapter 6	Structure of Central Banks and the Federal Reserve System	117
	Preview	117
	Origins of the Federal Reserve System	117
	■ INSIDE THE FED The Political Genius of the Founders of the Federal Reserve System	118
	Structure of the Federal Reserve System	119
	■ INSIDE THE FED The Special Role of the Federal Reserve Bank of New York	121
	■ INSIDE THE FED The Role of the Research Staff	123
	■ INSIDE THE FED Green, Blue, and Beige: What Do These Colors Mean at the Fed?	125
	How Independent Is the Fed?	126
	Structure and Independence of the European Central Bank	128
	Structure and Independence of Other Foreign Central Banks	130
	Explaining Central Bank Behavior	132
	■ INSIDE THE FED Federal Reserve Transparency	132
	Should the Fed Be Independent?	133
Chapter 7	Conduct of Monetary Policy: Tools, Goals, Strategy, and Tactics	137
	Preview	137
	The Federal Reserve’s Balance Sheet	137
	The Market for Reserves and the Federal Funds Rate	140
	Tools of Monetary Policy	144
	Discount Policy	146
	Reserve Requirements	149
	■ INSIDE THE FED Using Discount Policy to Prevent a Financial Panic	150
	Monetary Policy Tools of the European Central Bank	151
	The Price Stability Goal and the Nominal Anchor	152
	Other Goals of Monetary Policy	153

Should Price Stability Be the Primary Goal of Monetary Policy?	155
Monetary Targeting	157
■ GLOBAL The European Central Bank's Monetary Policy Strategy	159
Inflation Targeting	160
■ INSIDE THE FED The New Fed Chairman and Inflation Targeting	165
Tactics: Choosing the Policy Instrument	165
■ THE PRACTICING MANAGER Using a Fed Watcher	168
PART FOUR FINANCIAL MARKETS	173
Chapter 8 The Money Markets	175
Preview	175
The Money Markets Defined	175
The Purpose of the Money Markets	177
Who Participates in the Money Markets?	179
Money Market Instruments	181
■ CASE Discounting the Price of Treasury Securities to Pay the Interest	181
■ MINI-CASE Treasury Bill Auctions Go Haywire	184
■ GLOBAL Ironic Birth of the Eurodollar Market	192
Comparing Money Market Securities	193
■ FOLLOWING THE FINANCIAL NEWS Money Market Rates	194
Chapter 9 The Bond Market	199
Preview	199
Purpose of the Capital Market	199
Capital Market Participants	200
Capital Market Trading	200
Types of Bonds	201
Treasury Notes and Bonds	201
Municipal Bonds	204
Corporate Bonds	206
Financial Guarantees for Bonds	211
Current Yield Calculation	211
Finding the Value of Coupon Bonds	213
Investing in Bonds	215
Chapter 10 The Stock Market	219
Preview	219
Investing in Stocks	219
Computing the Price of Common Stock	224
How the Market Sets Security Prices	228
Errors in Valuation	229
■ CASE The September 11 Terrorist Attack, the Enron Scandal, and the Stock Market	231
Stock Market Indexes	231
■ MINI-CASE History of the Dow Jones Industrial Average	232
Buying Foreign Stocks	234
Regulation of the Stock Market	234