

6.4: More on Financial Markets

There are several different financial markets that exist in the United States (and several more that exist globally). Some financial markets trade stocks, others trade bonds, and still others trade different financial securities or assets (currencies, options, futures, etc.) Some of these markets have formal structures (such as the [New York Stock Exchange](#) or [Nasdaq](#)) while others are set up as a network of dealers (currencies and many bonds trade this way). In order to trade securities (stocks, bonds, derivatives), you need a broker. There are several different brokerage firms that offer a wide range of services. Some brokerage firms are referred to as full-service brokers that offer a complete range of trading services and financial advice. Typically these brokers also have the highest commission rates on trades. There are also electronic brokers (such as E*Trade or TD Ameritrade) which are structured for online trading. If you are interested in trading currencies or futures contracts, there are brokers that specialize in these types of securities. When you place your order with a broker, they then send that order to the financial markets where it is matched with someone taking the other side (for instance, if you are selling 100 shares of Wal-Mart someone else likely has an order with their broker to buy them).

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