ARTICLE HISTORY: Received: August: 6, 2021 Accepted: September 27, 2021 Published: October 4, 2021

JEL: G1, G15, N2
UDC: 336.7
Word Count: 5548

MAIN ESSENCE AND HISTORY OF GLOBAL FINANCIAL MARKETS

Aliyev Tofig
Baku State University, PhD student
World Economy Department
Baku, Azerbaijan. Nasimi Region, Drogal Street 6, apartment 21
Postal Code: AZ1010
Mob Phone: +994 55 315 55 67

Abstract. Global financial markets play an essential role in the economic growth and evolution of international relations. It allows rational and efficient distribution of monetary resources between those who save and those who invest and by that it supports flow of the capital. In the recent year's importance of financial markets has largely increased, which can be seen in the rapid change of statistics of the number and volume of market. Moreover, development of different financial instruments stimulates the growth of businesses which in the end result in positive trend of the country`s economic indexes. Considering that expansion of mobilization and redistribution instruments of financial markets has positive impact on growth of economy, this article tracks down history of establishment and main essences of global financial market, as well as changes which can be tracked throughout these years.
Keywords: global financial markets, national financial markets, economic growth, history, stock market

Introduction

Functioning of global financial system largely depends on work of financial market. Global financial market is understood as a set of national financial markets, united for interaction within global financial system. Essence of world financial markets is revealed through the combination of its three components: national financial markets, international financial market and world financial market. Each of these elements develops as an independent and distinct category (Cevdet, 1982).[1]National financial market is a system of relations regarding the circulation of capital and financial instruments within one state, while international financial market is a form of movement of the finances of individual states in the parameters of international financial relations. Ratio of these two categories is determined by the place and role of national financial market in the international circulation of capital and financial instruments. At the same time, international financial market performs functions of capital accumulation and its redistribution between national financial markets. Under the influence of financial globalization, they are united into a single system that operates according to internationally recognized standards. Initially, the amalgamation of national financial markets occurs at international level as external financial transactions develop in individual countries, after which segments of international financial market are poured into world markets (Sayilqan, 2004).[2]

World financial market constitutes basis that ensures the flow of funds between participants in external financial relations through the issuance and circulation of financial instruments recognized throughout the world. It is a mechanism for the movement of funds of the subjects of world financial relations. Along with this, it redistributes financial resources between various subjects of these relations. Main functions of world financial market are:

- Informational - transfer of information to investors about the state of financial market;
- Mobilization - accumulation of free capital for expanded reproduction of economic subjects. Main tool for the implementation of this function is the issue of securities;
- Distributive - implemented through the movement of free capital, realizing it overflow from one subject of economic relations to another, between different industries and countries. Tool that sets capital in motion is the rate of return, which ensures flow of capital from industries and countries with a low rate to areas of higher profits.

As a leading element of the global financial system, financial market performs all of the above functions and thereby implements the mechanism for the functioning of market institutions and instruments. Place and role of national markets in the structure of world financial market depends on a number of factors:

- monetary and economic position of the country in world economic system;
- level of development of the national investment system;
- presence of developed financial institutions and stock exchanges;

[1] Erdost Cevdet, İMF İstikrar Politikaları ve Türkiye, Savaş Yayınları Ankara, 1982, s.34
[2] Güven Sayılgan, Finansal Piyasalar ve Finansman Teknikleri, Ankara, Turhan Kitabevi yayınları, 2004, s 15

- availability of foreign investors and foreign securities on national financial market.

Taking into account the factors noted, national financial markets are subdivided into developed and developing ones, which determines their place in the structure of world financial markets. World financial markets are a complex organizational and economic system, consisting of independent, interconnected links, each of which occupies a clearly defined place in the movement of global financial flows. They are embedded in the structure of the global economy, where they are central to ensuring the flow of money in the form of capital from accumulators to producers. Capital in the process of movement takes the form of investments for the manufacturing sector (Parasiz, 2007).[3]

Thus, referring to the process of capital movement in the world economic system, financial markets act as a system-forming link in the circulation of resources and products of the world economy. Based on this, the main economic functions of these markets is the transformation of free financial resources into productive assets through the organization of the circulation of financial instruments.

Thus, by investing in factors of production, financial markets expand the circle of investors, as well as intensify cash flow, carry out the processes of distribution and redistribution of financial resources, which contributes to the accumulation of capital. However, exerting a strong influence on the economic system, the world financial market has passed a long historical path of development.

History of development of world financial market

The expansion of world economic relations has put forward the need for the formation of a world financial market, ensuring the accumulation and redistribution of financial resources in accordance with the volume and dynamics of supply and demand for them in the world capital market and the movement of the rate of return. The emerging structure of the WFM largely meets the needs of the financial markets of developed countries, which initially provide the movement of capital and monetary resources within national borders, and largely corresponds to the structure of these markets, such as capital market, foreign exchange market, money market, etc. (Butler and Kirt, 1997).[4]

The history of the formation of the world financial market takes place as an integral part of international economic relations. It is also a consequence of the formation of modern architecture of national financial markets, expansion of their segments and functions. From the point of market mechanism, it is designed to provide the necessary conditions for trading financial assets, including servicing commodity transactions, based on the lowest transaction costs and to form an optimal balance of supply and demand.

The high level of development of capitalism in a number of European states ensured at the end of 19th century the attractiveness of the domestic financial markets of these countries for the concentration of capital from various regions and even continents. Growth of world financial market was also facilitated by the introduction of new means of communication: laying of a transatlantic cable between Europe and America (1866) made it possible to carry out a constant exchange of information between financial markets of two continents, and exchanges became the main centers of capital concentration (Seyidoglu, 2003).[5]

Before First World War, leadership of attractiveness was captured by the UK financial market, which was due to the high stability of the national currency (pound sterling), as well as the gold parity of national currencies, which significantly minimized currency risks. Widespread issue of shares and bonds of large corporations, especially those related to the financing of infrastructure projects: railways, port facilities, communications etc. boosted the breadth of attracting capital holders to the London Stock Exchange. So gradually the national financial market of Great Britain began to turn into an international, and then into a large part of world financial market (Sudi, 1995).[6]

Beginning of First World War served as a new stage in formation of world financial market, which is associated with the termination of the exchange of national currencies for gold and the spread of forms of covering government expenditures by registering government debt on the market. The end of the war brought changes in the balance of power in world capital market. The world's leading financial center moved to the United States, which was due to a change in role of Western European countries in global financial market, which turned from exporters to importers of capital. However, the rise of the American economy, which began in the second half of the 1920s, reduced interest in the Western European market, and US investors concentrated on the national capital market. Erupted in 1929-1933. The Great Depression, as well as the ensuing world war, disintegrated world financial market and reduced turnover of world capital between countries to zero (Seyidoglu, 2003).[7]

In the early years after World War II, national financial markets came under tight government regulation. Government regulators, through a policy of low interest rates, provided their economies with cheap capital and created conditions for low-interest government borrowing. This situation persisted until the early 60s. The intensification of turnover in the world financial market is associated with an increase in the volume of foreign trade turnover and liberalization of foreign exchange transactions in the United States. After the 1967 crisis, American financial market

[3] İlker Parasız, Finansal Kurumlar ve Piyasalar, Bursa, Ezgi Kitapevi, 2007,s45.
[4] Butler, Kirt C., Multinational Finance, Ohio, South Western Publishing, 1997, p.56
[5] Halil Seyidoğlu, Uluslararası Finans, s.337
[6] Apak Sudi, Sermaye Piyasaları ve Borsa, Bilim Teknik Yayınevi, Eskişehir 1995, s.67
[7] Halil Seyidoğlu, Uluslararası Finans, s 195

underwent major changes, which were reinforced by the influence of the technical revolution in the stock exchange. Same happened in all European financial markets, which actually can be accepted as next step of revolution of the market. As a new step towards the development of global market in Europe, there was the emergence of a new financial instrument - Eurobonds. In 1968, the Euroclear system appeared which solved the problem of their secondary circulation. Introduction in 1970 of the European clearing system for Eurobonds to secure the possibility of over-the-counter turnover of these financial instruments. Development of the Eurobond market in Europe was accompanied by the use of securitization of financial assets, which contributed to an increase in the scale of international capital outflow (Achels, 2001).[8]

The 70s, was marked by high inflation in Europe, nevertheless accompanied by the liberalization of relations in the development of financial markets, which contributed to convergence of national stock markets and their opening to foreign participants. At the same time, development of the world financial market was facilitated by the replacement of the licensing system for the export of capital with a notification system, as well as the reduction of administrative methods for regulating markets. Such changes in financial markets led to a change in the model of financial transactions, which significantly reduced the role of banks as the main participants in financial transactions. Restrictions on the participation of banks in financial market intensified competition between them, which stimulated a change in the form of their activity to a universal one, which contributed to the concentration of banking capital (Melekhin, 2015). [9]This indicated a change in the model of financial relations in the world and introduction of more flexible financing mechanisms.

The next stage in the development of world financial market was the expansion of its participants by involving institutional investors in the turnover, including insurance companies (31% of all assets of institutional investors); pension funds (27%) and collective investors (26%). The global financial market reached a certain degree of maturity in the 90s of the XX century, when its main characteristic became internationalization of the government debt market, manifested in the growth of foreign holders of national government securities. The same period was marked by the emergence of new world financial centers in both Western Europe and Japan. Along with introduction in 1999 of a new currency (euro) securities in the world financial market began to be nominated in it and broke the investors' notion about the choice (Erol, 1999).[10] The processes of financial integration, which led to the elimination of barriers between national and international financial markets, an increase in the volume of cross-border capital movements and the formation of a new structure of participants, had a strong impact on the historical development and depth of the WFM. Unfolding globalization of the world economy has deeply affected international operations and ultimately contributed to the formation of the world financial market in its present form (Bailey, 2005).[11]

Thus, a new level of global financial system was formulated, based on an expanding network of organizations and companies for the provision of various kinds of transnational financial services based on the use of information technologies. Development of the infrastructure of globalization of the financial market has provided the necessary conditions for closer interaction between the key areas of development in the sphere of world finance. Thus, the relationship and interpenetration of the main segments of the international financial market began to strengthen.

Thereafter, there has been a significant acceleration in the growth rates of world financial market, which began to exceed the growth rates of world GDP. This was primarily determined by the expansion of the sphere of financial services in developed countries. In 2007, the total value of the world's financial assets peaked at $ 202 trillion dollars, however, financial crisis of 2008 led to a decrease in the value of the world financial market. The fall in financial assets affected virtually all groups of countries except Western Europe, where government-run recapitalization programs for troubled banks have spurred the expansion of private debt issuance. Thus, the level of support increased after the decision of the European Central Bank and the Bank of England on the possibility of using securitized assets as collateral for repurchase loans. The resumed post-crisis growth of the world financial market again restored the indicators of financial depth in the main market segments. Since 2009, growth has resumed and in 2010, this figure reached the level of 212 trillion dollars, having increased over the year by more than 11 trillion dollars. More than half of the increase accounted was an increase in the value of shares, by 12% or 6 trillion dollars. Public debt increased by 4.4 trillion dollars, largely due to the debt obligations of developed countries, placed to overcome the consequences of the financial crisis. In contrast to other segments of the financial market, liabilities on bonds issued by financial institutions and securitized assets decreased due to the reorientation of the financial sector to more stable sources of financing during this period and a decrease in the level of securitization (Mutlu, 2008).[12]

It should be noted that the development of financial market of a country in the medium and long term is determined by a number of fundamental factors, among which one of the key is the "financial depth". At the macroeconomic level, the depth of a country's financial market is usually defined as the aggregate of financial claims and liabilities in relation

---

[8] Achels, Steven B, Technical Analysis From A to Z, MCGraw Hill, New York, 2001, p.23

[9] Ю.В.Мелехин, Финансовые Рынки, Москва,2015, стр 14

[10] Ümit Erol, Vadeli İşlem Piyasaları, s 389

[11] Bailey, Roy e. The Economics of Financial Markets, Cambridge University Press, New York, 2005, p.12

[12] Meydan Mutlu, Forex Piyasası, Elma Yayinlari, Istanbul, 2008, s.45

to GDP and indicates the extent to which corporations, households and government institutions can finance their activities from financial markets and financial intermediaries. This indicator is in close proximity to the indicators of the saturation of the country's turnover with monetary and financial instruments and also implies the development of the financial architecture, which in general assesses the possibilities to accumulate and distribute monetary resources to meet the needs of economic growth. According to the American scientists N. Loayza and R. Ranciere, the deepening of financial markets in the long term makes the financial system more stable, since the ability to service capital flows without sharp fluctuations in asset prices and exchange rate increases (Loanza and Rancieri, 2006).[13]

Further, the predominance of positivity on the economic front contributed to the growth of global financial markets in 2010. The greatest growth, under the pressure of speculative bullishness, was shown by commodity markets and especially precious metals markets (growth in prices for palladium and silver amounted to 92% and 83% over the year, with a "modest growth" of gold by 29%) (Dr. Math, 2010). [14]Two factors had a significant impact on the state of financial markets in 2011: political (popular unrest in some Arab countries of North Africa and the Middle East) and natural (the strongest earthquake in Japan and its devastating consequences). The year started off impressively, but by the end of February, the financial markets were corrected. Further, the state of the global financial market in 2012, 2013 and 2014 was similar to the results of 2011 (Citigold, 2018). [15]Further in 2017, the gradual tightening of monetary policy by the central banks of developed countries was considered as the main risks for the world economy and global financial markets. In 2018, the issues of growing protectionism in world trade came to the fore. However, in general, the positive outlook for the development of global financial markets in 2018 paid off.

Hence, development of national financial markets in the context of globalization has become one of the main factors influencing the scale and structure of the world financial market, formation of its sectoral distribution. In turn, the intensification of global financial flows began to significantly affect the economies of participating countries, future formation of the institutional structure of the banking services markets and the stock market. During this period, the tendency of an increase in the role of world stock market as a source of mobilization of financial resources by the state and the corporate sector, and redistribution of funds in the secondary market is clearly traced. This is especially noticeable in regards to stock markets, government debt securities and financial institutions (Ozer, 2006).[16]Consequently, rise in the gross value of equity securities in recent years has been largely driven by continued capitalization of the US equity market and a marked improvement in Chinese equity performance. On the whole, the situation in the securities markets of many countries after the 2008 crisis was accompanied by a recovery in exchange rates, and at the same time there was an increase in the book value caused by the growth of corporate profits.

1) Essence of world financial markets

Historical expansion of world financial market and its instruments led to increase of its impact and power over economic indexes of the countries. Nowadays, economic fluctuations can be easily tracked in the countries stock markets and predict picture of future macroeconomic indexes. Therefore, analysis of the participants of financial markets may give picture for the future of countries economic trend. Stand out participants which play essential role as "paintings for the picture" of countries economic position are: commercial, central banks, joint-stock companies and other participants (brokers, dealers, guarantors of securities placement (underwriters) and exchange specialists) stand out among the main participants in the global financial market. Main feature of the subjects of the global financial market is the ability to simultaneously combine various functions: issuers, sellers, buyers, speculators, traders, etc. Moreover, often the same participants operate in different sectors of the world financial market, which determines their respective varieties (Omer, 1990).[17]

All participants in the global financial market can be conditionally differentiated according to the following main criteria, depending on:

- the nature of the subjects' participation in operations;
- goals and motives of subjects' participation in operations;
- organizing the activities of entities in the operations of the world financial market.

By the nature of their participation in operations, the subjects (participants) of the world financial market are divided into direct and indirect. Direct participants are entities in various sectors of the global financial market that carry out transactions for the purchase and sale of relevant financial instruments on behalf of their clients or at their own expense. Indirect participants are those subjects of the world financial market that use the services of direct participants.

From the point of goals of the participants, a distinction is made between hedgers and speculators. Hedgers are persons who carry out operations to minimize financial risks. Speculators, on the other hand, make deals solely for the purpose of maximizing profits by using the imbalance in the relevant sectors of the world financial market. Main area of

---

[13] Loayza, N. & Ranciere, R.,Financial development, financial fragility, and growth, Journal of Money, 2006,p.12
[14] https://www.ablv.com/content/7/5/2/0/780d8e31/ablv_alsanskis_2010-12_ru.pdf
[15] https://www.bfm.ru/special/citigold/page/382154
[16] Özer, Gül; Finansal Liberalizasyon Politikaları ve Kriz İlişkisi, Ankara, SPK Yayınları, 2006, s.20
[17] Dolat, Ömer; Avrupa Para Sistemi, İKV Yayınları, İstanbul 1990, s.12

activity of speculators is the currency and stock markets, where speculators seek to predict price fluctuations in order to make a profit through the sale and purchase of various financial instruments (assets). In turn, speculators are divided into traders and arbitrageurs. Traders use fluctuations in the rate of one or more contracts by buying them in anticipation of an increase in price and selling when it decreases. At the same time, the costs of such transactions are relatively small compared to the total amount of the transaction. Costs in this case represent, on the one hand, a collateral, on the other, a price, and on the third, a percentage for the use of a certain financial asset. Such operations of financial traders are called financial (credit) leverage operations (Dubrofsky and Miller, 2003).[18]Arbitrageurs are, as a rule, stock speculators who make a profit based on the exchange rate difference of a financial instrument either in time or in space. At the same time, carrying out such operations, the arbitrageur catches the difference in prices, buying cheaper and selling more expensive the same financial asset or instrument with little or no risk.

By organizing the activities of world financial market, its subjects are subdivided into financial brokers and investment banks and companies. Financial brokers perform intermediary (agency) functions at the expense and on behalf of the client on the basis of a commission agreement or order. Brokers are represented by specialized firms with the status of legal entities. In the West, these are either private firms or joint stock companies. Their authorized capital is small, but these firms are striving to increase the growth of equity and debt capital, to expand the number of their clients. According to its structure, the brokerage firm consists of a management, an administrative group (secretariat, accounting), an advisory department, a securities trading department, an information and technical department, etc. Normally number of such firms ranges from 15 to 20 people. The scope of the brokerage firm includes the provision of consulting services, placement of securities in the primary and secondary markets, the creation and management of investment funds, etc. In addition, brokers usually provide a number of special services: in the field of bank loans, transaction insurance, incl. exchange. At the same time, it is possible that the brokerage firm carries out operations at its own expense, providing the client with a loan, and assumes all the risk associated with transactions made with its participation. In this case, the brokerage firm goes beyond the scope of purely intermediary functions and approaches the nature of its activities to dealer firms, which increases its income by the amount of risk payments. Dealers in the world financial market are the same brokers, but unlike the latter, they invest and risk their own capital when concluding transactions (Uzunoglu, 2007).[19]Investment banks and companies play a significant role in the capital market, acting not only as investors and issuers, but also as organizers. These organizations are constantly increasing the staff of traders, which is associated, first of all, with the aggravation of competition in the global financial market.

Additionally, participants in the global financial market can also be grouped into separate groups: commercial banks, central banks, joint stock companies. Commercial banks are the most important group of participants; they buy and sell almost all financial liabilities traded on them. Banks are constantly adjusting their liquid assets due to the short-term nature of their borrowings, a wide range of requirements for the parameters of loans provided and the need to maintain their reserves at the level established by local legislation. During periods of economic recovery, banks usually face the problem of a deficit in reserves due to the growing demand for loans. They can sell securities (for example, short-term Treasury bills) from their investment portfolio, commercial paper and transferable certificates of deposit to replenish reserves, and also borrow funds from the Eurodollar market or from other banks. During recessions (economic downturn), the main problem of banks is the availability of excess investment resources (Tunc, 2004). [20]Therefore, in such conditions, banks begin to create secondary reserves by purchasing government securities. Along with it, commercial banks also have various financial instruments and goods, which they can sell to its clients and accumulate additional interests by that. As an example, it is known that the timing of receipt and spending of funds does not always match, companies often experience difficulties due to a shortage of cash. The key point in this case is the establishment of reliable ties with a commercial bank. The company usually keeps a part of the cash in the bank for current expenses, the other part - as compensation balances on a deposit account to pay for banking services. Since the amount of payment for banking services is set on a monthly basis, the company can use part of it as a reserve for short-term borrowing of small amounts of cash. To meet the more significant and long-term cash flow needs firm can negotiate with the bank on the loan. If the company is large enough, it may be more profitable for it to obtain the necessary funds through the issuance of commercial paper.

Among the instruments of the world market of short-term capital are bank treasury and commercial bills, bank acceptances, Eurobonds, certificates of deposit, repo agreements, bonds, shares. Bills are issued for a period of 3 - 6 months. Certificates of deposit - a negotiable monetary document issued by commercial banks against the funds deposited in them with a certain period of validity and certifying the depositor's right to receive a deposit and interest. Eurobanks issue certificates of deposit from 25 thousand dollars and more for a period of 30 days to 3-5 years and place them among banks and individuals who can sell them on the secondary market. Such certificates are sold by brokers or

---

[18] Dubofsky, David A.;Miller; Thomas W.: Derivatives, Oxford University Press, New York, 2003, p20
[19] Sadi Uzunoğlu, Para ve Döviz Piyasaları, İstanbul, Literatür Yayınları, 2007,s29
[20] Havva Tunç, Uluslararası Ticaret, Para ve Finans, Alfa Yayınları, İstanbul, 2004, s12

transferred by endorsement. By stimulating the inflow of deposits to European banks, they contribute to the expansion of the European market (Uzunoglu, 2007).[21]

There are several more instruments which can be used in financial markets in order to control or participate at different stages of trade:

Bank's acceptance is, in fact, an urgent bill, put up for the bank and accepted by it in accordance with the established procedure. An urgent bill is an order to pay a certain amount of money to its bearer by a certain date. In case of acceptance of the draft, the bank assumes an unconditional obligation to pay its owner the nominal value of the draft by the date of its maturity. This transfer of payment obligations to the bank with confirmation of their unconditional fulfilment allows bank acceptances to act as a financial instrument of the money market. The majority of bank acceptances arise from the implementation of international export-import transactions, the participants of which are located in different countries. Central banks occupy a special position in the global financial market, since they regulate the formation of the national money supply. With the help of monetary policy, central banks regulate the amount of reserves of banks that are part of the country's banking system. Joint-stock companies are distinguished into a special category of participants in the global financial market. For many firms, the main cash flow is the payment of accounts receivable after the sale of manufactured products. At the same time, their expenses consist of tax payments, salary payments, purchase of materials and services necessary for their current activities.

A Eurobond is a bond issued by a borrower through the International Banking Consortium and denominated in Euro currencies. It is hosted simultaneously in several countries. Eurobonds have a number of advantages over foreign bonds. They do not obey the national rules for transactions with securities, interest on coupons of Eurobonds is not subject to income tax, and they provide more opportunities for making a profit and minimizing foreign exchange risk. A favourable portfolio of Eurobonds can be drawn up from Eurocurrencies for bonds. No special registration is required for Eurobond holders. In turn, the advantages of foreign bonds are that they are less subject to bankruptcy risk, since a significant part of them is issued by the state (Sayilqan, 2004).[22]

Repurchase agreements are agreements to sell a short-term security subject to its buyback at a predetermined time and price. Various well-known financial instruments can be used as collateral. Buyout agreements are usually concluded for a very short period of time, ranging from one to several days. The minimum volume of such a transaction is $ 1 million. Instruments of capital market transactions are securities, mainly bonds of various types (with a fixed or floating interest rate; convertible into shares; bonds for which other bonds or shares can be bought). New financial instruments emerged in the 1980s in order to attract more clients and increase profits. These instruments are traded in relevant financial markets, such as the financial futures market, the financial options and swap market, the forward market, and the financial derivatives market. New financial instruments are intended mainly to insure the foreign exchange risk of participants in international economic relations, as well as to carry out speculative transactions (Melvin and Michael, 1997).[23]

Forward markets allow you to set the future rate of a trade in advance. In the forward market, each economic unit enters into an agreement with its counterparty to exchange one type of goods for another at a predetermined price at a predetermined point in time. Usually, both parties to the contract are bound by the terms of the contract and cannot change its terms unilaterally until the moment of its execution. In addition, the individual party to the forward contract assumes the potential risk of insolvency of its counterparty prior to or at the time the contract is due. Transactions in the futures markets are more detailed than the forward ones. Futures contracts differ from forward contracts in the following ways: futures require delivery of a specific security, commodity, or currency, either by a fixed date or at a specified time period in the future. The market for futures contracts, in contrast to the market for forward contracts, is standardized in terms of the volume of transactions, the timing of their execution and the range of goods. when making a deal in the futures market, both parties establish direct contact not with each other, but with the futures exchange. each party to a transaction in the futures market can liquidate its obligations to buy or sell a commodity (asset) by buying or selling an equivalent futures contract against the early one. the rules of the futures markets require the value of all contracts to be continually adjusted to reflect current prices. the rules of the futures markets require all contract holders to make a security deposit or margin in order to insure against possible daily price fluctuations (Yalciner, 2008).[24]Forward contracts are more risky, as one of the parties may refuse to fulfill its obligations if there is a sharp change in prices on the eve of the delivery day.

In recent years, a new form of financial transactions, direct exchange contracts or swaps, has emerged. Swap transactions represent the sale of a financial asset at the spot rate with its simultaneous purchase for a term, or vice versa, the purchase of a financial asset at the spot rate with its simultaneous sale for a term. The swap market is often used to offset interest rate risk by exchanging fixed rate payments for variable rate payments. In addition, swaps reduce the risk associated with the future movement of foreign exchange flows (for example, the income that the firm expects to receive

---

[21] Sadi Uzunoğlu, Para ve Döviz Piyasaları, İstanbul, Literatür Yayınları, 2007,s29

[22] Sayılgan, Finansal Piyasalar ve Finansman Teknikleri,s10

[23] Melvin, Michael; İnternational Money and Finance, Addison-Wesley Inc, U.S., 1997, p.8

[24] Kürşat Yalçıner, Uluslararası Finansman, Ankara, Gazi Kitabevi,2008,s.9

from a foreign branch or from foreign investment) or the risk of different rates of change in interest rates in the domestic and foreign markets. All changes and recent trends push the stock markets into decentralisation, where role of brokers and banks are going to be diminished. Basis of it can be tracked in cryptocurrencies and their specific characteristics, however it will take time before global markets accept decentralised (non-approved) version of transactions between subjects of the market.

Conclusion

Along with its all complexity financial markets play an essential role in efficient flow of assets and funds. The purpose of financial instruments in the market is to ease access of funds, and by that smoothen the flow and tighten the link between participants of global market. Although recent changes and trends push the market into more digital and decentralised transactions, financial markets still play mirrors of current economic and financial position of the country. Blockchains and expansion of artificial intelligence leads the markets into single virtual ground, which in the end will end up with markets being actively trading 24 hours every day. Over past two centuries markets expanded, grow and developed rapidly which can be seen in the speed of transactions, price transparency, liquidity and cost effectiveness of the operations. Nowadays globalization of equity market should be indicator that future of the market is unity, where all the participants of the market may operate without any delays and over single market. Hence, prediction is the expansion of the markets will continue, and as regional markets under pressure of globalization were merged in national ones, same will happen with national markets and the biggest ones will provide the markets with necessary institutional framework, policies and instruments, resulting in financial singularity which can be tracked through in rising crypto market.

REFERENCES

1. Achels Steven B (2001). Technical Analysis From A to Z. MCGraw Hill, New York.
2. Apak Sudi (1995). Sermaye Piyasaları ve Borsa. Bilim Teknik Yayınevi, Eskişehir.
3. Bailey Roy E (2005). The economics of financial Markets. Cambridge University Press, New York.
4. Butler Kirt C (1997). Multinational Finance. Ohio, South Western Publishing.
5. Dolat Ömer (1990). Avrupa Para Sistemi. İKV Yayınları, İstanbul.
6. Dubofsky, David A. Miller and Thomas W (2003). Derivatives. Oxford University Press, New York.
7. Erdost Cevdet (1982). İMF Istikrar Politikaları ve Türkiye. Savaş Yayınları Ankara.
8. Güven Sayılgan (2004). Finansal Piyasalar ve Finansman Teknikleri. Ankara, Turhan Kitabevi Yayınları.
9. Havva Tunç (2004). Uluslararası Ticaret, Para ve Finans. Alfa Yayınları, İstanbul.
10. Halil Seyidoğlu (2003). Uluslararası Finans. Güzel Cam Yayınları, İstanbul.
11. Kürşat Yalçıner (2008). Uluslararası Finansman. Gazi Kitabevi, Ankara.
12. Loayza, N. & Ranciere, R. (2006). Financial Development, Ffinancial Fragility, and growth. Journal of Money, Credit and Banking, 38(4), 1051-1076.
13. Melvin Michael (1997). İnternational Money and Finance. Addison-Wesley Inc, U.S.
14. Meydan Mutlu (2008). Forex Piyasasi. Elma Yayinlari, Istanbul.
15. Sadi Uzunoğlu (2007). Para ve Döviz Piyasaları. Literatür Yayınları, İstanbul.
16. İlker Parasız (2007). Finansal Kurumlar ve Piyasalar. Ezgi Kitapevi, Bursa.
17. Y.V.Melekhin (2015). Financial markets. Prospect Publishing, Moscow.
18. Ümit Erol (1999). Vadeli İşlem Piyasaları. İMKB Yayınları, İstanbul.
19. Özer Gül (2006). Finansal Liberalizasyon Politikaları ve Kriz İlişkisi. SPK Yayınları, Ankara.
20. Leonid Alshanskiy and Dr. Math (2011). Global financial market: hot topics of 2010. Downloaded from https://www.ablv.com/content/7/5/2/0/780d8e31/ablv_alsanskis_2010-12_ru.pdf on 17th January 2021.
21. Golubkov Dmitriy (2018). Global financial risks and world economy. Downloaded from https://www.bfm.ru/special/citigold/page/382154 on 2nd of February 2021.