11 Economics 8 Financial Markets - The Money Market

1.	**borrowers**	represent the demands for funds in financial markets and include individuals borrowing for housing or consumption, business borrowing for investment, and governments borrowing to finance budget deficits or infrastructure projects
2.	**broad money**	includes all currency and all deposits in banks and non-bank financial intermediaries, minus all NBFI holdings of bank deposits
3.	**the cash rate**	is the interest rate paid on overnight loans in short term money market
4.	**domestic market operations**	are the actions of the Reserve Bank in short term money market to buy and sell securities, either outright or through repurchase agreements, in order to influence the cash rate and the general level of interest rates
5.	**interest rates**	are the cost of borrowing money expressed as a percentage of the total amount borrowed
6.	**lenders**	represent the supply of funds and consist of individuals that may have unspent income, business that may have unused profits, governments that may run budget surpluses and international lenders with surplus funds
7.	**liquidity**	is the ease with which a financial asset can be transformed into cash so it can be used as a medium of exchange
8.	**M3**	is a measure of the money supply that consists of all currency in circulation, bank deposits with the Reserve Bank and private sector deposits in banks
9.	**money supply**	is the total amount of funds in an economy that can be used as a medium of value and a method of deferred payment; that Reserve Bank's measure of the money supply is M3