

UNIT 3 > Finance and investment

Lesson 3.1 How traders work



VIDEO

A ▶ 3.1.1 Watch the video again. Complete the sentences from the video with the correct option, according to what the speakers say.

N = Narrator; PC = Piers Curran; WL = Will de Lucy

- 1 **N:** Most of the world's traders _____ via their screens.
 - a purchase instruments
 - b buy and sell
 - c trade in the pit
- 2 **PC:** The markets I trade used to be floor-based trading in the pit. You need a physical presence. I don't have that, so I think it's a _____.
 - a much more difficult field
 - b much easier kind of field
 - c much more level playing field
- 3 **N:** Amongst _____, Will and Piers trade the global foreign exchange market, trying to _____ the change in value of one currency in relation to another.
 - a other assets / profit from
 - b many assets / profit
 - c other activities / make a profit
- 4 **N:** The big question is whether the Central Bank's going to _____ to help the Eurozone _____.
 - a raise interest rates / in a recession
 - b cut interest rates / out of recession
 - c cut interest rates / in a recession
- 5 **WL:** In terms of significance, the most significant thing about _____ is that nothing significant has been said.
 - a what's been said
 - b what he's said
 - c what it was he said
- 6 **PC:** He said, 'The discussion we had on cutting rates in today's meeting received _____. '
 - a a great amount of discussion
 - b a good deal of attention
 - c a huge amount of money
- 7 **N:** More than 5.3 trillion dollars _____ in foreign exchange every day through _____ like this, more money than physically exists in the world.
 - a moves around / trades
 - b moves about / traders
 - c goes around / trading
- 8 **PC:** I wouldn't normally make that kind of return in _____.
 - a so much of a twinkling of an eye
 - b such a tiny timeframe
 - c such a short timeframe
- 9 **PC:** _____, but it was a high-risk trade and so, you know, that's always the trade-off, _____.
 - a It would usually take a few hours / a risky reward
 - b It wouldn't normally last so many hours / a high-risk reward
 - c It would normally take several hours / risk and reward

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Vocabulary B Complete the text about how economic bubbles are created with the correct form of the words in the box. Some words may be repeated.

investment investor make profit rate reward

Economic Bubbles and Ponzi Schemes

An economic bubble starts when any group of stocks – for example, those associated with the internet – begin to rise. The trend encourages people to buy stocks or shares, which leads to more publicity, which, in turn, causes more people to make an ¹ _____ in them. This often ² _____ millions for those who reap the ³ _____ of investing early. Successful ⁴ _____ will tell you how easy it is to ⁵ _____ millions quickly, which causes the stocks or shares to rise further, attracting newer investors. Critics say the system is a kind of *Ponzi scheme*, where more investors must be found to buy shares from the previous investors. Eventually, one runs out of foolish investors and the bubble bursts.

A Ponzi scheme is, therefore, a scam, or form of fraud which attracts ingenuous people and pays profits to earlier investors. The original investors are tricked into believing that their profits are a result of product sales and do not realise that new investors are the actual source of their profits. The business appears to be in ⁶ _____ as long as there are new investors who put money into the scheme and those investors do not demand repayment and continue to believe they 'own' assets, or part of the company.

The scheme is named after Charles Ponzi, who became notorious for it in the US in the 1920s. However, Sarah Howe carried out a similar scheme in Boston in the 1880s. Howe offered female clients an 8 percent monthly interest ⁷ _____ on something called the 'Ladies Deposit'. She then stole the money from the women who had invested in it, but was later discovered and sentenced to prison.

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Lesson 3.2 Financial investments

Listening A ▶ 3.01, 3.02, 3.03 Listen to the interviews again and complete these extracts. Write between two and four words in each gap, according to what the speakers say.

Piet Muhren:

If you have too much money in one area that doesn't do well, it's bound to have a negative
¹ _____.

I recommend spreading your money across different assets such as ² _____ and cash.

However, the expectation is that diversification ³ _____ such as more volatility, higher charges and ⁴ _____.

Irene Montoya:

Having this cash buffer means they won't be forced to sell when prices are falling, which means they can expect to have ⁵ _____ avoiding losses.

But if you have a guaranteed income, you can probably afford to have ⁶ _____ cash in the bank.

If you have ⁷ _____, like buying an electric scooter, then cash savings will be your best option.

Leo McKinney:

There are three. Firstly, it's ⁸ _____.

It leads us to putting savings in ⁹ _____ that won't leave us
¹⁰ _____.

Overconfidence can make investors take too much risk by looking for huge returns and thinking they
¹¹ _____.

House money in investment terms is when we earn money from an unexpected investment gain. Then, because we're more likely to see it as ¹² _____, we want to spend it, or invest in a risky investment..

Grammar B Complete the sentences using the correct form of the word in brackets. Write between one and four words in each gap.

- 1 a Given the current situation, I plan to _____ my assets. (diverse)
 b Given the current situation, I plan on _____ my assets. (diverse)
- 2 a Experts _____ the current downturn to last a few years. (expect)
 b The Central Bank _____ cut interest rates. (expect)
- 3 a We _____ buy a second home if house prices fall. (likely)
 b It _____ they will lose money when buying commercial property. (unlikely)
- 4 a The US dollar _____ continue to rise as expected. (bound)
 b The investors _____ announce their decision. (about)
- 5 a Interest rates at the Central Bank are _____ rising to 2.9 percent. (point)
 b The government is _____ raising tax on consumer staples. (verge)
- 6 a The Prime Minister said she _____ strong economic growth this year. (anticipate)
 b There is _____ among retailers that there will be a rise in sales of consumer goods in the holiday period. (anticipate)
- 7 a There _____ you will lose money on your savings account as a result of inflation. (likelihood)
 b There _____ we'll get a high rate of return on this investment. (possibility)

UNIT 3 ➤ Finance and investment**Lesson 3.2 Financial investments****Grammar C** Complete the text with one word in each gap.**A question of timing**

With markets trading near record highs, investors risk losing out when the bull run* finally comes to a halt. In October the main US index, the S&P 500* index, hit a record high, while the FTSE 100 index hit a peak in May.

But traders believe both markets are on the ¹ _____ of slowing down, according to the price-to-earnings ratios of both indices. Forward price-to-earnings ratios express a company's or index's price relative to its future earnings. The higher the ratio, the more markets believe a stock or index is likely ² _____ grow strongly in the future. A falling price-to-earnings ratio means there is a strong ³ _____ that growth will slow. High price-to-earnings ratios may well be a sign that a stock is expensive or over-priced.

Patrick Connolly, a chartered financial planner at Chase de Vere says: 'Investing regular premiums (rather than lump sums) is a sensible way to invest during difficult times and periods of stock market volatility.' He believes this approach is sure ⁴ _____ negate the risk of market timing.

Rebalancing your portfolio regularly is also crucial: that involves recycling money from funds that have done well into those that have done less well. Experienced investors ⁵ _____ that putting the money back only into the high-performing funds is ⁶ _____ to affect the spread of assets and shift the concentration of risk. There is a ⁷ _____ that the shape and risk profile of your portfolio may well change significantly over a short period.

Mr Connolly says: 'Not only does rebalancing ensure you don't take too much risk, but by selling investments that have done well in favour of those that have done badly, you are effectively selling at the top of the market and buying at the bottom.' He adds this is the key to investing but something few investors are ⁸ _____ to achieve.

* *bull run* = A period of time when prices rise on a financial market.

* *S&P 500* = The stock market index that follows US companies that are worth more than \$10 billion.

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Lesson 3.3 Communication skills: Challenging facts politely

Useful language A Complete the words.

- 1 The Finance Manager went over the figures with a **fine-tooth co**_____.
- 2 The business press gave **confl**_____ reports about the trade deal.
- 3 In this part of the course we will **del**_____ **into** project management.
- 4 Can you do a search and see if you can **d**_____ **up** more information about this company?
- 5 He argues that work is a natural part of life and can't be separated from it, so a work-life balance is a **fal**_____.
- 6 I forgot to tell you that the delivery costs have gone up this month. Sorry, that was an **over**_____ on my part.
- 7 The magazine publishes a list of the world's ten most **rep**_____ companies every year.
- 8 The working conditions in the supplier's factory did not **st**_____ **up to scrutiny**.
- 9 We're looking for a Customer Services Manager who is a real **st**_____ **for detail** and thrives on working to tight deadlines.
- 10 Did you **ver**_____ that these youth unemployment figures are correct?

B Complete the sentences with the phrases in bold in Exercise A.

- 1 When you _____ something, you try to find more information about it.
- 2 _____ ideas, beliefs or opinions cannot exist together or both be true.
- 3 A(n) _____ is a false idea or belief.
- 4 A(n) _____ is a mistake that is caused by someone forgetting to do something or not noticing something.
- 5 When you go over something with _____, you examine it very carefully and thoroughly.
- 6 When you _____ something, you check or prove that it is true or correct.
- 7 A person who is a(n) _____ is someone who is very strict about accuracy, rules or small details.
- 8 When facts _____, they are proved to be true, useful or strong when tested.
- 9 If you _____ some information, you find it by searching carefully.
- 10 If a person or organisation is _____, they are respected for being honest or for doing good work.

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Lesson 3.4 Business skills: Exploring options

Useful language **A** Complete the short dialogues with the questions (a-f).

- a Hey, did you ever work at Henderson in New York?
- b Can we take a quick look at production first?
- c OK, so why is that so important for you?
- d Would you put yourselves on the same level as German quality?
- e What are your concerns here?
- f So, how would you suggest we go about resolving this?

1 **A:** So, what's important for us is price not so much quality.

B: _____

A: Well, ultimately, it's because we operate in such a cost-sensitive market.

2 **A:** _____

B: I did, yes.

A: Amazing. Me, too. I thought I recognised your name.

3 **A:** I think we offer the best quality on the market.

B: _____

A: Well, aside from Germany perhaps. Quality is very high there, I agree.

4 **A:** _____

B: My suggestion would be to involve a few of the technical guys.

A: OK, I can live with that.

5 **A:** Let's move on to the production issues.

B: But I have a lot of concerns about marketing.

A: _____ This is really important to both of us.

6 **A:** I still think this makes the most sense.

B: I don't agree. It's going to create more problems than it solves.

A: OK, so let's slow down. _____

B Complete the sentences from negotiations with the phrases in the box.

given that if we agreed just as an idea, how about just thinking a little out of the box
say we were to agree supposing we to play devil's advocate with the proviso that

1 _____ to reduce the price, could you bring forward the delivery date?

2 We can agree to your price _____ you guarantee technical support.

3 _____ we need people immediately, I'm happy to take on Paul.

4 _____, what if we triple the order?

5 _____ for a second, what's to stop us finding a better deal with another supplier?

6 _____ park this proposal for a second and take a few minutes' break?

7 _____ I give Phil a call and see what he thinks?

8 _____ to your request, what's in it for us?

UNIT 3 ➤ Finance and investment**Lesson 3.5 Writing: Budget report****Useful language** **A** Complete the sentences with the words in the box.

budgeted CapEx due expenses likely OpEx raise
revenue rise significantly slightly variance

- 1 It is quite _____ that the cost of raw materials will increase next year.
- 2 Last year was a good one for the company and sales _____ increased by 8 percent. However, the rise in cost of sales meant that gross profit only went up 4.6 percent.
- 3 Salaries, marketing costs and general _____ such as rent and utilities have all risen slightly over the last twelve months.
- 4 Actual sales income last quarter was \$1.3 million against a _____ figure of \$1.25 million.
- 5 We have major _____ planned for next year related to the construction of a new production facility in Indonesia.
- 6 We have lost several managers to competitors, so we need to find money to _____ salaries and improve retention rates.
- 7 General expenses have risen _____ from \$2,560,000 to \$2,620,000 due to a small increase in rental costs for our head office.
- 8 General expenses have risen _____ from \$2,560,000 to \$2,980,000 due to much higher rental costs for our head office.
- 9 Budgeted operating profit was very much in line with the actual figures – in fact the _____ was just 0.7 percent.
- 10 I am optimistic that revenues will continue to _____ at a steady rate over the next twelve months.
- 11 Our investment plans for new equipment are now finalised and cannot be changed, so given the difficult trading conditions we will need to reduce _____ by around 6 percent next year. Some layoffs are inevitable.
- 12 Marketing costs rose slightly last quarter _____ to the fact that we were present at three major trade fairs.