



# ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

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This week we continue to share with you another investment related term so that you are better able to make sound investment choices. The week's term is: **Derivative**

A **derivative** is a financial product whose price is dependent upon or derived from one or more underlying assets. Such assets can be stocks/shares, bonds or commodities. The **derivative** itself is a contract between two or more parties and its value is determined by fluctuations in the underlying asset. There are three classes of **derivative** contract types: futures/forwards, options and swaps. Your professional investment adviser would be able to explain these to you in more detail and advise you on which one would be a good investment for you depending on the current state of the market.

## What does this mean for you?

People who invest in **derivatives** can expect to benefit in one of three ways:

- Changes in interest rates and equity markets around the world.
- Currency exchange rate shifts.
- Changes in global supply and demand for commodities such as agricultural products, precious and industrial metals, and energy products such as oil and natural gas.

Additionally, trading in **derivatives** benefits the entire stock market in that it reduces market risk, lowers the cost of trading and increases trading volume in stock market liquidity. For more information on **derivatives** and other available investment opportunities, feel free to call Bank of Saint Lucia's Wealth & Asset Management Division (WAM) at 456-6104 or ECFH Global Investment Solutions at 457-7233.