

The Increasing Complexity of the Financial Markets: A Look at the Multiplicity of Instruments and Variety of Computer Trading Platforms and Modalities

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Abstract

There is no doubt that the financial markets today can be perceived as being both simple or complex depending upon how you look at them. We have a variety of markets, some private and some public, operating internationally in most cases; the multifarious types and volume of financial instruments in use are impressive. The 2008 financial crisis is now considered long gone whether the lessons thereof have been derived or not, replaced by an undaunted optimism. We have individual investors sometimes acting alone but mostly through institutions. The hedge funds are major players. In the US the Federal Reserve is considered to be a major actor which has in fact made a big difference in getting the markets up and keeping it up there. The US Federal Government has done its share in helping the economy grow. The regulators are doing their best to cope with the increase of complexity. A major factor is the way trading is conducted with increasing influence of electronic means; also trading is a reality, with mostly orderly trading with an occasional rogue creating unwanted waves or sinkholes. The advising system has also been changing and we now find robot advisors competing with human advisors.