

**THE PROFITABILITY OF A PARTICULAR FINANCIAL INSTRUMENT AND
FINANCIAL TECHNOLOGIES, TAKING INTO ACCOUNT THE CURRENT STATE
OF THE GLOBAL AND NATIONAL FINANCIAL MARKET**

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Annotation: This article provides an analytical overview of the profitability of traditional financial instruments and innovative financial technologies (FinTech) in the context of global and national financial markets. It examines stocks, bonds, derivatives, as well as blockchain technologies, artificial intelligence, digital currencies, robo-advisors, and P2P lending platforms. The analysis emphasizes the impact of macroeconomic factors, technological innovations, the regulatory environment, and market dynamics on investment returns. The article identifies new opportunities and risks associated with the combination of traditional financial instruments and modern FinTech solutions, and highlights the differences between developed and emerging markets.

Keywords: Financial markets, profitability, equities, bonds, derivatives, FinTech, blockchain, digital currencies, artificial intelligence, robo-advisors, P2P lending, macroeconomic factors, regulatory environment.

Introduction. The financial industry is continuously evolving, driven by changes in the global economy, technological advancements, and shifting consumer preferences. In recent years, the rapid growth of financial technologies (FinTech) and the development of new financial instruments have had a profound impact on the profitability of financial markets. This analytical essay aims to survey the profitability of a particular financial instrument, as well as financial technologies, considering the current state of global and national financial markets. Given the interconnectedness of global financial markets, both macroeconomic factors and technological innovations play key roles in shaping profitability. The analysis will focus on several types of financial instruments—equities, bonds, derivatives—and FinTech innovations such as blockchain, artificial intelligence (AI), and digital currencies, assessing how they influence market profitability. The scope of this essay will cover trends observed in developed economies like the U.S. and Europe, as well as emerging markets such as China, India, and Latin America.

Equities are one of the most popular financial instruments. Investors purchase stocks in exchange for ownership in a company, and in return, they may receive dividends and benefit from capital appreciation. Historically, equities have proven to be one of the most profitable financial instruments over the long term, although they also come with significant volatility. The financial health of the company issuing the stock is the primary driver of profitability. Strong earnings growth, effective management, and a competitive market position tend to boost stock prices. Interest rates, inflation, and overall economic growth influence stock market performance. A robust economy often leads to higher corporate earnings, which can positively impact stock prices. Stock prices can also be influenced by investor sentiment and market speculation,

sometimes leading to overvaluation or undervaluation, which can provide opportunities for profit. In the context of global and national financial markets, the equity markets have been impacted by the COVID-19 pandemic, which caused a sharp market downturn in early 2020. However, stock markets around the world have generally rebounded, with tech stocks in particular reaching record valuations. The rise of Artificial Intelligence (AI) and automation, especially in developed markets like the U.S., has contributed to the growth of stocks in technology sectors. In emerging markets, stock profitability varies widely, with political instability and currency volatility presenting challenges. However, markets like China and India offer potential for higher returns, driven by expanding consumer markets and economic growth.

Bonds are debt securities issued by governments, municipalities, or corporations to raise capital. Investors purchase bonds in exchange for regular interest payments and the return of the principal amount at maturity. The profitability of bonds is influenced by interest rates, credit risk, and inflation expectations. Bond prices are inversely related to interest rates. When interest rates rise, bond prices fall, reducing their profitability for existing bondholders. Conversely, falling interest rates make bonds more attractive. The creditworthiness of the issuer significantly impacts bond yields. Higher yields are typically offered by issuers with lower credit ratings (e.g., junk bonds), compensating investors for taking on more risk. Rising inflation can erode the purchasing power of fixed interest payments, reducing the real return on bonds. In a low-interest-rate environment (which has characterized much of the post-2008 period), bonds have offered relatively low returns. However, the global inflationary pressures seen in recent years, especially following the pandemic and the war in Ukraine, have led central banks to raise interest rates. This has resulted in falling bond prices, making them less attractive for long-term investors, although they remain a crucial component of diversified investment portfolios.

Derivatives are financial contracts whose value is derived from the price of an underlying asset, such as stocks, commodities, or currencies. Common types of derivatives include options, futures, and swaps. Derivatives are primarily used for hedging, speculation, and arbitrage. Derivatives provide investors with the ability to use leverage, meaning they can control a larger position with a smaller amount of capital. This can lead to significant profits (or losses). Derivatives allow companies and investors to hedge against potential price fluctuations in underlying assets, providing a form of risk management. Speculators use derivatives to profit from anticipated price movements, which can result in high returns in short periods, but also high risk. The profitability of derivatives has increased with the proliferation of algorithmic trading and AI-based strategies, especially in developed markets like the U.S. and Europe. However, they remain highly complex instruments, and their profitability can be negatively impacted by volatility, regulatory changes, and liquidity concerns. In emerging markets, derivative markets are still maturing, though they have significant potential for growth as financial market infrastructure improves.

Financial technologies (FinTech) refer to the innovative use of technology to deliver financial services and products. Over the past decade, FinTech has revolutionized the financial industry, opening up new opportunities for profitability for both companies and investors. Key areas of FinTech innovation include blockchain, digital currencies, robo-advisors, peer-to-peer (P2P) lending, and AI based trading platforms. Blockchain is a decentralized ledger technology that enables secure, transparent, and immutable transactions. It underpins cryptocurrencies such as Bitcoin, Ethereum, and thousands of other digital assets. Blockchain technology has far-reaching

applications beyond cryptocurrencies, including supply chain management, identity verification, and smart contracts. Cryptocurrencies are highly volatile, which can create both high-profit opportunities and significant risks. Traders can profit by speculating on price movements. The wider adoption of blockchain technology by governments, corporations, and financial institutions could increase the value of digital currencies and blockchain-based applications. Continued innovation in blockchain scalability and security could enhance the profitability of blockchain-related ventures. Cryptocurrencies experienced explosive growth between 2020 and 2021, but market volatility, regulatory scrutiny, and security concerns have led to significant fluctuations in prices. Despite these challenges, the market for cryptocurrencies remains a potentially high-profit sector, particularly for early-stage investors. Blockchain technology itself is gaining traction in various industries, suggesting long-term profitability outside of speculative trading. Robo-advisors are automated platforms that use algorithms and AI to provide investment advice and manage portfolios. They have democratized access to financial advice by offering low-cost, passive investment management solutions. AI-driven trading, on the other hand, involves the use of machine learning and other advanced algorithms to predict market movements and execute trades automatically. Robo-advisors are more cost-effective compared to traditional financial advisors, as they charge lower fees while offering diversified portfolios. AI-based platforms can provide personalized investment strategies based on individual risk profiles, improving the potential for higher returns. AI-based trading systems can potentially generate profits by exploiting market inefficiencies and reacting quickly to market changes. The popularity of robo-advisors has surged, particularly in developed markets, as they offer low-cost alternatives to traditional wealth management. Meanwhile, AI-driven trading is becoming more prevalent in both institutional and retail markets, with hedge funds and investment firms using machine learning algorithms to gain an edge. In emerging markets, the adoption of robo-advisors is still in its infancy, but growth is expected as financial inclusion initiatives and mobile technology expand. P2P lending platforms connect borrowers directly with individual investors, bypassing traditional financial institutions. These platforms offer an alternative to traditional lending, often providing higher interest rates for investors and lower rates for borrowers.

P2P lending can offer higher returns compared to traditional fixed-income investments. However, the risk of default is higher, particularly in emerging markets. P2P lending platforms have made it easier for small businesses and individuals to access capital, creating opportunities for investors to diversify their portfolios. The profitability of P2P lending depends on the regulatory environment, which is still evolving in many countries. P2P lending has seen rapid growth, particularly in markets like China and the U.S. However, concerns about default rates, regulatory uncertainty, and platform reliability have limited its broader adoption. Despite these challenges, P2P lending remains an attractive investment vehicle for those seeking higher yields in exchange for greater risk.

The global financial market is characterized by interconnectedness, where events in one region can have cascading effects on others. National financial markets are shaped by local economic conditions, monetary policies, and political factors, which in turn influence the profitability of financial instruments and technologies. Central bank policies, especially in major economies like the U.S. and EU, significantly affect profitability. Rising interest rates can depress bond prices but benefit certain financial technologies, like those based on digital currencies. Conflicts, trade wars, and political instability can have significant impacts on market volatility, creating both

risks and opportunities. Disruptions in global supply chains, as seen during the COVID-19 pandemic, can affect stock prices and market liquidity. Strong economic performance in emerging markets can increase demand for financial products, leading to higher profitability for financial instruments. National regulations regarding FinTech companies, securities markets, and banking systems can either facilitate or hinder profitability. A robust regulatory framework provides stability, while overly restrictive regulations can stifle innovation.

In conclusion, the profitability of financial instruments and financial technologies is highly dependent on a variety of factors, including macroeconomic conditions, technological advancements, market dynamics, and regulatory frameworks. Equities, bonds, and derivatives offer varying levels of profitability depending on market conditions and the investor's risk appetite. Financial technologies such as blockchain, digital currencies, robo-advisors, and AI-driven trading have the potential to create new avenues for profitability, although they also come with unique risks and challenges. The global and national financial markets are at a crossroads, shaped by rapid technological advancements and evolving macroeconomic conditions. Investors and companies must navigate these changes with caution and adaptability to capitalize on the opportunities offered by both traditional financial instruments and emerging FinTech solutions. Understanding the interplay between market force' and technological innovations will be crucial for assessing future profitability in the financial sector.

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