



LESSON 9 ACTIVITY 3

MEET THE STOCK MARKETS

The stock market is an institution enabling people who want to buy shares of stock to buy them from people who want to sell shares of stock. This market matches buyers and sellers and provides the means for mutual agreement on price. That is, the price of a share of stock is set at the moment when a buyer and seller agree to make a trade, and not before. The stock market is more than a physical location (and need not be a physical location at all); it is a set of arrangements, advertisements, online transactions, computer listings and personal relationships that make it possible for stocks to be traded.

Although often referred to as if it were a single entity, “the stock market” is actually a number of different markets. The three major stock markets in the United States are the New York Stock Exchange (NYSE), the American Stock Exchange (AMEX) and the NASDAQ Stock Market.

The New York Stock Exchange (NYSE)

The oldest of the three major stock markets, the NYSE was founded in 1792 when 24 brokers agreed to form the Exchange. About 2,800 public companies are listed on the NYSE, and these companies have a combined value of more than \$15 trillion. Generally, small corporations’ stocks are not listed on the NYSE. In order to be listed on the NYSE, a company must have outstanding share value (the value of all shares of stock not owned by the company itself) of at least \$100,000,000 and must trade at a volume of at least 100,000 shares per day.

The NYSE is home to several important stock indexes. A stock index is a composite of the value of a large number of stocks used to measure the ups and downs of the overall market. The most famous stock index is the Dow Jones Industrial Average (DJIA), or “the Dow,” which consists of 30 of the biggest companies in the United States including firms such as Walt Disney, ExxonMobil and Wal-Mart. Today, the Dow is the most widely followed measurement of the stock market. A second important index of stocks listed on the NYSE is the Standard and Poor’s (S & P) 500. This index uses the stock prices of 500 companies listed on the NYSE including Boeing and 3M.

All stock trades at the NYSE take place in a single location on the NYSE’s trading floor in New York City. Members of the NYSE — 1,366 brokers and specialists — carry out all trades. Members are said to have a “seat” on the NYSE, although they never actually sit down, and such seats routinely sell for \$2 million. Investors purchase stocks by placing orders with brokers from around the United States and the world. These brokers then place floor orders at the NYSE, and those orders are filled by one of the 1,366 members.

American Stock Exchange (AMEX)

The precursor to the AMEX was founded during the Civil War when brokers would gather outside the NYSE trading floor (literally on the curb) to trade stocks that did not qualify to be listed on the NYSE. In fact, even when it moved inside in 1921, this precursor was known as the New York Curb Exchange and did not take the name American Stock Exchange until the 1940s.

Generally speaking, companies with shares traded on the AMEX are smaller than those listed on the New York Stock Exchange, although this is not always the case. Membership in the AMEX is limited to 807 regular members who conduct trades much like those on the NYSE. The AMEX is smaller than the NYSE, listing about 800 companies. Listing requirements vary, but companies must have between 500,000 and one million shares of outstanding stock, with average shares traded per day exceeding 1,000.



LESSON 9 ACTIVITY 3 (CONTINUED)

NASDAQ Stock Market

The NASDAQ Stock Market began trading in 1971, and in 1999 it surpassed the NYSE as the largest stock market (in volume of stock trades) in the United States. The NASDAQ Stock Market is unique because it does not reside in one physical location. Rather, trades are executed through the NASDAQ's sophisticated computer and telecommunication network. As the world's first electronic stock market, it is made up of the NASDAQ National Market and the NASDAQ Small Cap Market. The NASDAQ allows multiple market participants to trade through its electronic communication networks structure, thus increasing competition.

The NASDAQ Stock Market currently lists the stocks of more than 3,700 companies, with a combined value of \$2.9 trillion dollars. The NASDAQ is widely known as the home of many of the largest technology-based companies, particularly computer software companies and other Internet businesses. More shares of stock are traded on the NASDAQ than on any other stock market, in part because membership in the NASDAQ is not limited to a fixed number of seats. Any firm or individual that meets certain requirements can join the NASDAQ. This policy allows more than 300 "market makers" (known as dealers to their customers) to operate like retail store owners, buying inventories of stock shares to sell to their customers.

Place the Stock

Listed below are brief descriptions of nine stocks that are listed on one of the three major stock markets described above. After reading these descriptions, and using what you know about each market, place each stock in the appropriate place on the grid that follows. Pay close attention to the information provided. For example, if the stock was listed before 1971, it cannot be part of the NASDAQ Stock Market (which opened in 1971).

1. Atari

The group's principal activities are to develop, publish and distribute interactive entertainment software for leisure entertainment, gaming enthusiasts and children's markets for a variety of platforms. This stock was first listed in 1998, and shares traded often average more than 100,000 per day.

2. Consolidated Edison (ConEd)

Con Edison of New York provides electric power in all of New York City (except part of Queens) and most of Westchester County. This stock was first listed in 1824. Shares traded per day often exceed one million.

3. Eastman Kodak

Eastman Kodak Company is primarily engaged in developing, manufacturing and marketing traditional and digital imaging products, services and solutions for consumers, professionals, healthcare providers, the entertainment industry and other commercial customers. This stock was first listed in 1905 and was a member of the Dow Jones Industrial Average index for many years. Shares traded per day often exceed four million.



LESSON 9 ACTIVITY 3 (CONTINUED)

4. Intel

The group's principal activities are to design, develop, manufacture and market computers, networking and communication products. Listed since 1998, this stock regularly averages over 10 million shares traded per day.

5. McDonald's

McDonald's Corporation operates in the food-service industry, franchising quick-service restaurant businesses under the McDonald's brand. This stock was first listed in 1966 and is a part of the Dow Jones Industrial Average index. Shares traded often average near 10 million per day.

6. Puradyn

Puradyn Filter Technologies, Inc. (PFT) manufactures, markets and distributes the Puradyn bypass oil filtration system (the Puradyn) worldwide for use with substantially all internal combustion engines and hydraulic equipment that uses lubricating oil. First listed in 2001, this stock averages less than 1,000 shares traded per day.

7. The Rowe Companies

The Rowe Companies (ROW) operate in two segments of the home furnishings industry: the wholesale (manufacturing) home furnishings segment and the retail home furnishings segment. This stock was first listed in 2003 and averages less than 5,000 shares traded per day.

8. Tag-It Pacific

Tag-It Pacific, Inc. (TAG) is an apparel company that specializes in the distribution of a full range of trim items to manufacturers of fashion apparel and licensed consumer products to specialty retailers and mass merchandisers. Share trades average under 1,000 per day.

9. Telekom Austria

The group's principal activities are to provide fixed-line and wireless communication services in Austria and throughout Europe. Listed since 1998, this stock averages under 1,000 shares traded per day.

Market	Stocks		
New York Stock Exchange (NYSE)			
American Stock Exchange (AMEX)			
NASDAQ Stock Market			

