

Stock Markets

What is it and why should you care?

Jun.

Introduction: Stock Markets

What is the Stock Market?

- The stock market is where people **buy and sell shares** of companies.
- A **share** is a small piece of ownership in a company.
- When you own shares, you own part of the company.
- If the company does well, your share value can go up.
- If the company doesn't do well, the value of your shares may go down.

Why Do People Invest in the Stock Market?

- **Grow your money** over time by investing in successful companies.
- Stocks generally increase in value long term, but prices can fluctuate.
- Some companies pay **dividends**, which are regular payments to shareholders.
- You can sell shares later at a **higher price** to make a profit

Why are stock exchanges important?

- Provides a competitive space for ideas.
- Leads to economic growth.
- Institutions and public can influence governance.
- Help determine price; allow for transparency.

Stock Pricing models

- Dividend discount model : values a stock as the present value of future dividends.
- Gordon growth model : firms with track record of dividend growth.
- Non-constant growth model : growth rate vary over time.

How Do You Buy and Sell Stocks?

- Stocks are traded on stock exchanges like the **New York Stock Exchange (NYSE)** or **NASDAQ**.
- Top 5 Stock Exchanges : NYSE, NASDAQ, LSE, JEG, SSE.
- You need a **broker** to buy or sell stocks (either online or through a financial advisor).
- Stock prices change based on company performance, economic factors, and investor sentiment.

Summary

- Process of price determination is critical.
- It's not easy to know when to enter or exit markets.
- The stock market allows you to buy and sell shares of companies.
- Investing in the stock market can grow your wealth, but there's always a risk of losing money.
- Stocks are traded on exchanges, and you need a broker to handle your transactions.