

Stock market basics

The stock market is made up of exchanges, such as the New York Stock Exchange and the Nasdaq. Stocks are listed on a specific exchange, which brings buyers and sellers together and acts as a market for the shares of those stocks. The exchange tracks the supply and demand — and directly related, the price — of each stock.

The stock market is a capital market which connects suppliers with those seeking capital on where they can exchange securities. These are called exchanges. Some popular exchanges are the New York Stock Exchange and the Nasdaq; they track different companies that are listed on their exchanges.

The Nasdaq is known for technology and innovation, and it is home to digital, biotechnology, and other companies at the cutting edge. In contrast, **companies that list on the NYSE are perceived as more stable and well established.**

Stocks are a piece of ownership of a company that people are able to buy and sell. Stocks go up and down depending on the price people are willing to pay, supply and demand.

How to evaluate a stock

People buy stocks because there is an intrinsic value in the company and believe that the current intrinsic value is higher than the current value. How people could evaluate a stock is by reading the company's 10k and 10q looking into their financials such as balance sheet income statement and cash flow but also it provides a view on what the company is working on and how they are trying to drive sales to the company.

Comparing stocks to others

How people compare stocks that are undervalued is by comparing them to similar companies in terms of checking each other's market cap and industries. One of the most popular ratios people use is the P/E ratio. This stands for Price/Earnings ratio. You compare it to another company's ratio and whichever one is lower is better because it trading for less than other companies with a higher P/E. The next is P/B

Stock Market Purpose

The stock market ensures [price transparency](#), [liquidity](#), [price discovery](#), and fair dealings in trading activities.

The stock market guarantees all interested market participants have access to data for all buy and sell orders, thereby helping in the fair and transparent pricing of securities. The market also ensures efficient matching of appropriate buy and sell orders.⁷

Why Companies Issue Shares

Many of today's corporate giants started as small private entities launched by a visionary founder a few decades ago. Think of Jack Ma incubating Alibaba ([BABA](#)) from his apartment in Hangzhou, China, in 1999, or Mark Zuckerberg founding the earliest version of Facebook (now Meta), from his Harvard University dorm room in 2004.⁴⁵ Technology giants like these have become among the biggest companies in the world within a couple of decades.

Companies issue Shares to raise capital

However, growing at such a frenetic pace requires access to a massive amount of [capital](#). In order to make the transition from an idea germinating in an entrepreneur's brain to an operating company, they need to lease an office or factory, hire employees, buy equipment and raw materials, and put in place a sales and [distribution network](#), among other things. These resources require significant amounts of capital, depending on the scale and scope of the business.

Raising Capital

A startup can raise such capital either by selling shares ([equity financing](#)) or borrowing money ([debt financing](#)). Debt financing can be a problem for a

startup because it may have few assets to pledge for a loan—especially in sectors such as technology or [biotechnology](#), where a firm has few [tangible assets](#)—plus the interest on the loan would impose a financial burden in the early days, when the company may have no revenues or earnings.

Equity financing, therefore, is the preferred route for most startups that need capital. The entrepreneur may initially source funds from personal savings, as well as friends and family, to get the business off the ground. As the business expands and its [capital requirements](#) become more substantial, the entrepreneur may turn to [angel investors](#) and [venture capital](#) firms.

Listing Shares

When a company establishes itself, it may need access to much larger amounts of capital than it can get from ongoing operations or a traditional bank loan. It can do so by selling shares to the public through an [initial public offering](#) (IPO).

This changes the status of the company from a private firm whose shares are held by a few shareholders to a publicly-traded company whose shares will be held by numerous members of the general public. The IPO also offers early investors in the company an opportunity to cash out part of their stake, often reaping very handsome rewards in the process.

Once the company's shares are listed on a [stock exchange](#) and trading in it commences, the price of these shares fluctuates as investors and traders assess and reassess their intrinsic value. There are many different ratios and metrics that can be used to value stocks, of which the single-most popular measure is probably the price-to-earnings (PE) ratio.

Investing in Stocks

Numerous studies have shown that, over long periods of time, stocks generate investment returns that are superior to those from every other asset class. Stock returns arise from capital gains and dividends.¹²

A capital gain occurs when you sell a stock at a higher price than the price at which you purchased it. A dividend is the share of profit that a company distributes to its shareholders. Dividends are an important component of stock returns. They have contributed nearly one-third of total equity return since 1956, while capital gains have contributed two-thirds.¹²

While the allure of buying a stock similar to one of the fabled FAANG quintet—Meta, Apple (AAPL), Amazon (AMZN), Netflix (NFLX), and Google parent Alphabet (GOOGL)—at a very early stage is one of the more tantalizing prospects of stock investing, in reality, such home runs are few and far between.

Investors who want to swing for the fences with the stocks in their portfolios should have a higher tolerance for risk. These investors will be keen to generate most of their returns from capital gains rather than dividends. On the other hand, investors who are conservative and need the income from their portfolios may opt for stocks that have a long history of paying substantial dividends.

What Is the Significance of the Stock Market?

The stock market is a component of a free-market economy. It allows companies to raise money by offering stock shares and corporate bonds and allows investors to participate in the financial achievements of the companies, make profits through [capital gains](#), and earn income through dividends. The stock market works as a platform through which savings and investments of individuals are efficiently channeled into productive investment opportunities and add to the capital formation and economic growth of the country.

How Does Inflation Affect the Stock Market?

Inflation refers to an increase in consumer prices, either due to an oversupply of money or a shortage of consumer goods. The effects of [inflation](#) on the stock market are unpredictable: in some cases, it can lead to higher share prices, due to more money entering the market and increased job growth. However, higher input prices can also restrict corporate earnings, causing profits to fall. Overall, [value](#) stocks tend to perform better than [growth](#) stocks in times of high inflation.

How Much Does the Stock Market Grow Every Year?

The S&P 500 has [grown](#) about 10.5% per year since it was established in the 1920s. Using this as a barometer for market growth, one can estimate that the stock market grows in value by about the same amount each year. However, there is an element of probability: in some years the stock market sees greater growth, and in some years it grows less. In addition, some stocks grow faster than others.

How Do People Lose Money in the Stock Market?

Most people who [lose money](#) in the stock market do so through reckless investments in high-risk securities. Although these can score high returns if they are successful, they are just as likely to lose money. There is also an

element of psychology: an investor who sells during a crash will lock in their losses, while those who hold their stock have a chance of seeing their patience rewarded. Finally, [margin](#) trading can make the stock market even riskier, by magnifying one's potential gains or losses.

Game intro

Welcome to the stock market game. Press ready to start

1st Page

Talk about the purpose of the game and what they should learn from this course

2nd page

Talk about why the stock market is important and what it means to own a stock
Explain the power of the stock market and compound interest

3rd page

Show the a graph of the average return of different stocks or percentage

4th page

Talk about how to evaluate a stock and compare to others

5th

Talk about the 10q or 10k how to read the financials of a company and what info you can get out of it.

6th

Talk about different strategies to investing

7th

Emphasis importance of investing and not trading

8th

Explain where you can buy stocks and platforms advantages and disadvantages

9th

Explain how the share price is calculated using supply and demand

10th

Have a screen of the stocks

Explain this is share price this is graph of the stock

11th

Make it start from 1920 to know and have two companies explaining what they are about and their share price and they have to be similar companies.

Have tips and strategies on what to do when high inflation or a recession.

Have it compared to sp500 index

12th

Give financial history lessons like 1929 depression