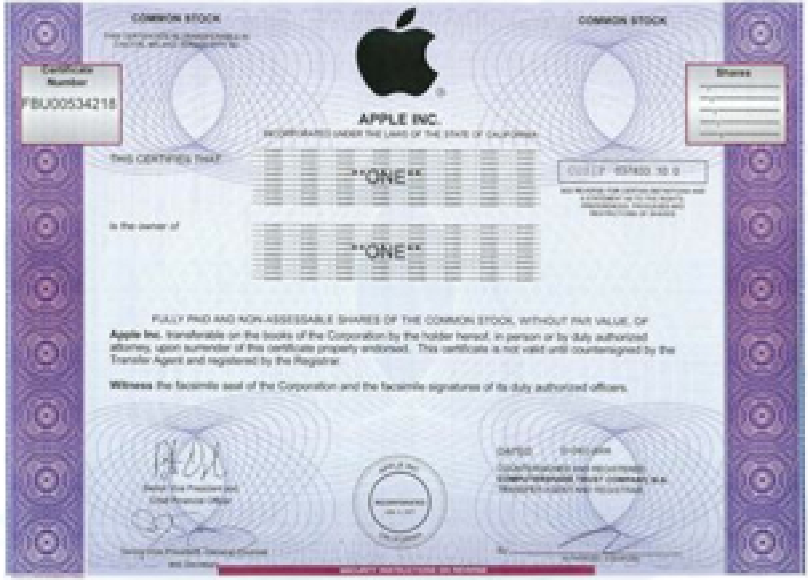


Source: kabukencafe.com

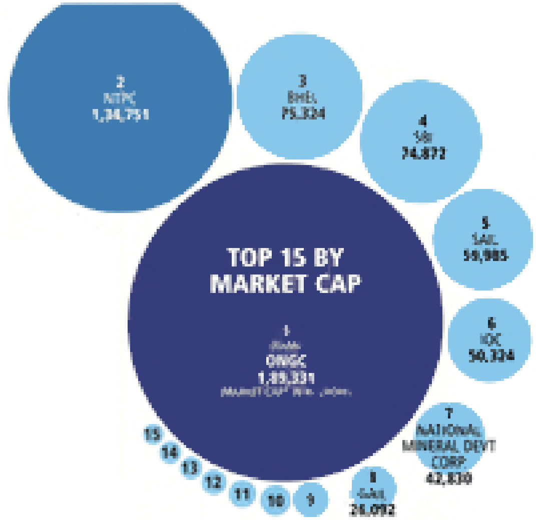
Owning stock in a company is like owning a portion of the company. This means assets and earnings are partially yours. With stock, you aslo get voting rights. All stock owners are represented by the company's board of directors.

Source: stockphototops.blogspot.com

Stocks are traded on exchanges, like the New York Stock Exchange or NASDAQ. Exchanges are marketplaces where stock buyers and traders can come together and easily trade shares. Most exchanges are now automated by computers.

Source: iStockphoto/.com

Stock prices change based on the supply and demand in the market. Usually, a stock's price (or valuation) reflects the current value of the company as well as the future growth.



Source: iocl.com

To understand the real value of the company, one should look at the market capitalization, not the share price. Market capitalization is defined as the number of outstanding shares multiplied by the current share price. This is important because a company with a high share price, but very few shares outstanding could be worth less than a company with a slightly lower share price, but has many shares outstanding.

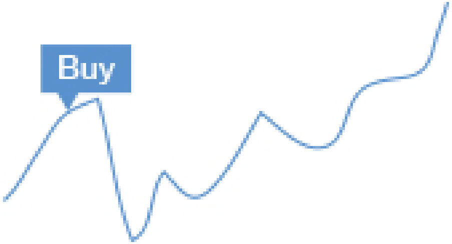
Source: 123rf.com

Stocks and companies are classified by industries and sectors. Sectors are broken down into defensive and cyclical. Industries are broken down further from sectors into more specific groups of companies.

Source: investmentbrokers.us

Brokerage firms are financial institutions that faciliate buying and selling of securities on exchanges. They do this for both retail investors, like you and I, as well as institutional clients.

Market Order

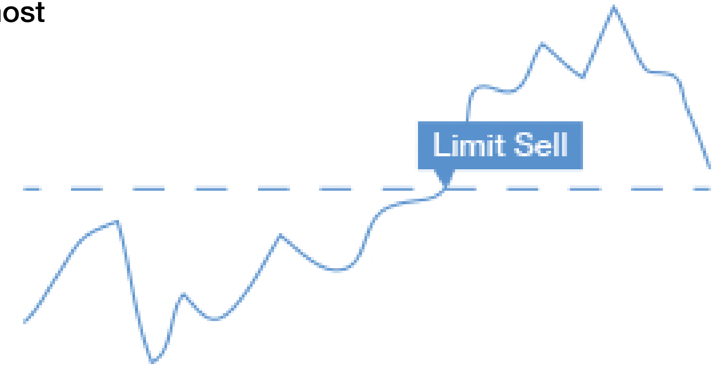


Market orders are executed at the next available price, no matter what fluctuation occurs. Market orders are the most common type of order.

Stop Order

Stop orders are used to limit the purchase price or selling loss. Once the target is reached, a market order is placed.

Limit Order

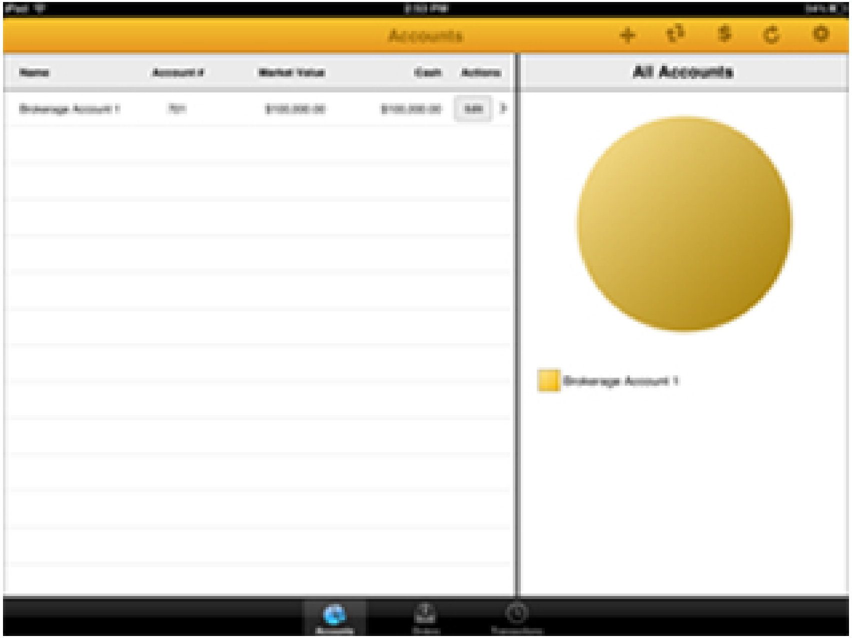


Limit orders are executed after a target price is reached. It is only executed if the trade can occur beyond or at the target.

There are several types of orders you can use to trade - market, limit, and stop orders.

Source: birminghambell.com

Diversification in the stock market is important. If you were to keep all your eggs in one basket, i.e. invest all your money in only a few companies, you may be subject to high volatility associated with their stock prices. A diversified portfolio tends to reduce the risk by averaging out the price swings. Most experienced investors recommend having about 20 stocks in a balanced portfolio.



Now that you understand the basics of stock trading, please proceed to "Getting Started" to exercise your trading skills in a mock stock market.