The stock price of a company is determined when a company goes public, an event called initial public offering. This is when a company pay an investment bank a lot of money to use very complex formulas and valuation technique to derive a company’s value by determining how many shares will be offered to the public and at what price. The company and the investment bank will meet with investors to help determine the best share price. Once the company starts trading in the market, share price are largely determined by the forces of supply and demand. A company that demonstrates long-term earnings potential may attract more buyers, thereby increasing the share price. Other factors can affect prices and cause sudden or temporary changes in price. Some examples include earnings reports, political events, financial reports and economic news. The market price of a stock is simply the price at which a willing buyer and seller agree to trade.