

What is the stock market?

When you hear the term "stock market," you might think of big business, big bucks, and high-powered suits making big deals. All that may seem far removed from your daily life.

Actually, the stock market touches you in ways you may never notice. Say, for example, that Wendy's wants to build more restaurants or add a double-decker BBQ chicken sandwich to its menu. It takes money to buy land, build restaurants, and develop and advertise new menu items.

If Wendy's doesn't have all the money it needs in its own pockets, it sells shares to investors through the stock market. By buying a share, each investor owns a piece—tiny as it may be—of Wendy's.

As owners, stockholders receive company information and can attend Wendy's annual meeting, where they vote on company issues. The number of shares of stock a person owns is the number of votes he or she may cast.

Owning a share of Wendy's stock is like owning a piece of a burger, you might say!

The symbol (name) for Wendy's stock on the New York Stock Exchange (NYSE) is "WEN." It costs about \$38 to buy one share of stock and the company's sold more than 96 million shares.* By comparison, McDonald's stock (MCD) is selling at about \$48 a share nearly 1.2 billion are owned. (Visit the NYSE at www.nyse.com.)

Thousands of companies do the same thing to raise the money they need to do whatever they do and make whatever they make. If the stock market were to shut down completely

tomorrow, those companies wouldn't be able to sell shares. And then they'd run out of money to make computers, shoes, movies, pizza, bicycles, jeans ...all the products and services you use daily.

You get the picture...your life would be vastly different without the stock market. It's the hub of our nation's economy.

How it works

You may have heard of Wall Street, which is the street in Manhattan where the NYSE is located.

The NYSE is a wild and noisy place to visit. People who work at the NYSE, called floor brokers, do lots of shouting and gesturing to one another as they buy and sell stocks each business day.

So, where IS the wall???

Dutch traders built a settlement at the southern tip of Manhattan nearly 400 years ago. About 40 years later, they built a high wall of upright logs to protect their village. The dirt path that ran along the wall became known as Wall Street. The street ran east/west, connecting the East River harbor on the island's east side with the Hudson River docks on the west end. Historic Wall Street was a natural center for business activity, just as it is today. The log wall is long gone, but the street's name stuck.

But the buying/selling actually starts far from here. Suppose someone in New Orleans decides to buy stock in Hershey's Chocolates. The buyer contacts a local

broker to place the order. The broker takes the buyer's money and contacts a floor broker at the NYSE. Usually this floor broker is an employee of the stockbroker.

Next, the floor broker kicks into action. He or she goes to the appropriate part of the NYSE to buy the Hershey's stock. The floor broker sends word back to the broker that it's a done deal, and the buyer has become a stockholder.

At day's end the floor is covered with slips of paper representing bought and sold stocks. How many slips of paper? Well two million exchanges--stock purchases and sales—can happen on an average day of trading. Sometime later, the stockholder may decide to sell the stock. This time the broker tells the floor broker to sell. The stockholder hopes to sell at a price higher than the buying price. For example, if Hershey's stock (HSY on the NYSE) was purchased at \$55 a share, and the price climbs to \$75 a share, the buyer makes a nice profit.

That's why people buy and sell stock: to make a profit. Spending some money now will earn more money later--or so the stockholder hopes. It can work the other way, too. If the share price falls, the stockholder loses money when selling. It's not like your credit union savings account where you are guaranteed a return.

Other games in town

Not all companies sell their stock through the NYSE. They may use one of hundreds of stock exchanges around the world. In the United States, key exchanges besides the NYSE include the American Stock Exchange (AMEX), and the National Association of Securities Dealers Automated Quotations System (NASDAQ for short, pronounced "nazz-dack").

AMEX occupies a building near the NYSE. NASDAQ, however, has no physical building. With NASDAQ, buyers and sellers make their deals entirely through a computer network, rather than in face-to-face dealings. Many

high-tech companies sell their stock through NASDAQ.

In addition to New York, you'll find stock exchanges in Chicago, San Francisco, and other major U.S. cities. Other urban centers around the globe, such as London and Tokyo, also have major stock exchanges. Some people take advantage of time zone differences to trade stock 24 hours a day.

Someday we may not think of the stock market as Wall Street—or in any particular place. Computers and the Internet have already changed the stock market scene. What will the stock market of tomorrow look like? Only time will tell.

* Figures change often and are used for illustration only. Check the NYSE for current information.

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