

How the Stock Market Works



Three Exchanges

The term “**Stock Market**” applies to three different exchanges where stocks are bought and sold. They are:

The New York Stock Exchange (NYSE)

NASDAQ (National Association of Securities Dealers Automated Quotations System)

American Stock Exchange (AMEX)

How do I become “Listed”?

You have to be registered on the Primary Market. This is where investors purchase newly issued stocks.

There is an **Initial Public Offering – IPO**

This is when a company offers its stock for sale to the public for the first time.

Steps for an IPO

- A company appoints an investment banking firm to arrange financing
- The company prepares a prospectus and submits it to the Securities and Exchange Commission (SEC) for approval. A price per share is set for opening day.
- The investment banker circulates preliminary prospectus (red herring)
- Upon SEC approval, company finalizes its prospectus
- Underwriters place announcements (tombstones) in newspapers and on a specific day begin selling shares

PHASERX INC.

(NASDAQ:PZR)



\$18,500,000
Initial Public Offering

*Undersigned Acted as
Financial Advisor*



May 2016

IPO Goes On Sale

- The proceeds from the first day of official sale go directly to the company. Hopefully they have sold enough shares to reach their goal of raising a certain amount of money.
- From the second day onwards the proceeds of the sale of company stocks go directly to the shareholders, general public, stock brokers and NOT directly back to the company that issued the stock.

IPO Day



Stranger IPO Days!



Trading Stocks

- The most common form of stock trading is directed through an organized stock exchange or trading network
- Whether using either a stock exchange or a trading network, the goal is to match investors wishing to buy stocks with those investors wishing to sell stocks

Trading Terminology

The Bid Price - the price dealers pay the investors - the price investors receive from the dealers

The Ask Price - the price dealers receive from investors - the price investors pay dealers

The difference between the bid and ask prices is called the bid-ask spread, or simply “**spread**”

What's a Ticker Symbol?

A **ticker symbol** or stock **symbol** is an abbreviation used to uniquely identify publicly traded shares of a particular stock on a particular stock market. A stock **symbol** may consist of letters, numbers or a combination of both.



Here are 10 standout tickers:

- 1) **Southwest Airlines** ([LUV](#)): Nice nod to airlines roots at Dallas' Love Field.
- 2) **Anheuser-Busch InBev** ([BUD](#)): Ticker as branding opportunity
- 3) **Steinway** ([LVB](#)): Classy from the piano maker to Ludwig Van Beethoven
- 4) **Olympic Steel** ([ZEUS](#)): Paying tribute to a Greek deity
- 5) **Market Vectors Agribusiness ETF** ([MOO](#)): Memorable bovine word play
- 6) **Harley Davidson** ([HOG](#)): Reinforces nickname that enjoys a cult following
- 7) **Asia Tiger Fund** ([GRR](#)): Smart tie-in to region's Tiger economies
- 8) **Majesco Entertainment** ([COOL](#)): A game developer
- 9) **Dynamic Materials** ([BOOM](#)): Perfect for a metals maker that uses explosives
- 10) **National Beverage** ([FIZZ](#)): Fun, effervescent and memorable

Ticker-Tape Parade!



The New York Stock Exchange



The New York Stock Exchange (NYSE) popularly known as the “Big Board”, celebrated its bicentennial in 1992. The NYSE has occupied its current building on Wall Street since the turn of the century. Today, the NYSE is a not-for-profit New York State corporation.

UTIL	-1.94	Basis	-7.70	▲ VIX	18.64	+2.55		
▼ DXY	96.26	-0.61	▼ SPU	2,046.00	-27.70	▼ RUT	1,232.53	-15.52
▼ TNX	22.30	-0.01	▼ SPX	2,053.67	-27.67	OSX		
▲ TYII	127.17	+0.05	▼ CLoi	51.30	-1.03	▼ RM7	1,066.82	-4.28

NYSE Membership

There are 1366 members who have their own seats on the exchange

Seats are regularly bought and sold but you can now lease a seat on the exchange

Cost of a seat can be as low as \$250,000 (1990) or as high as \$4,000,000 in 2005

Seat holders can buy and sell stocks on the exchange floor without paying any commissions

Floor of the NYSE



Listings on the NYSE

- Trading approximately **3.6 billion** shares each day, the New York Stock Exchange (NYSE) is the leading stock exchange in the world.
- The exchange trades stocks for 2,800 different companies
- The total market value of the NYSE is currently at \$18.5 Trillion

NASDAQ began in 1971 and is a computer network of dealers who distribute timely security price quotes to its subscribers

NASDAQ is the second largest stock market in the U.S. in terms of dollar trading volume

Differences between NASDAQ and the NYSE

There are two major differences:-

NASDAQ is a computer network and has no physical location where trading takes place

NASDAQ has a multiple market maker system rather than a specialist system (NYSE)

NASDAQ is often called an OTC Market

An Over-The-Counter Market (OTC) is a stock market in which trading is almost exclusively done through dealers who buy and sell for their own investors

NASDAQ is actually made up of two separate markets: -

the NASDAQ National Market (NNM)

the NASDAQ Small Cap Market (SCM)

NASDAQ has more listed companies (approximately 3,100), trades more volume (approximately 2 billion shares daily) and handles more IPOs (over 1,044 since 2000) than any other U.S. exchange.

AMEX



The American Stock Exchange (AMEX) began before the Civil War as the New York Curb Exchange. Its name was officially changed in 1953

It has a smaller base of corporations, mostly small to mid-size companies that prefer not to be listed or are not big enough for the NYSE or NASDAQ

What is the DOW?

The Dow Jones Industrial Average is the most widely followed barometer of day to-day stock market activity.

(DJIA or “DOW” for short)

It is an index of the stock prices of 30 large companies representative of our nations industry

The 30 DJIA Companies

Apple

American Express

Boeing

Caterpillar

Cisco Systems

Chevron

Coca-Cola

DuPont

ExxonMobil

General Electric

Goldman Sachs

Home Depot

IBM

Intel

Johnson & Johnson

JPMorgan Chase

McDonald's

3M Company

Merck

Microsoft

Nike

Pfizer

Procter & Gamble

The Travelers

United Health

United Technologies

Visa

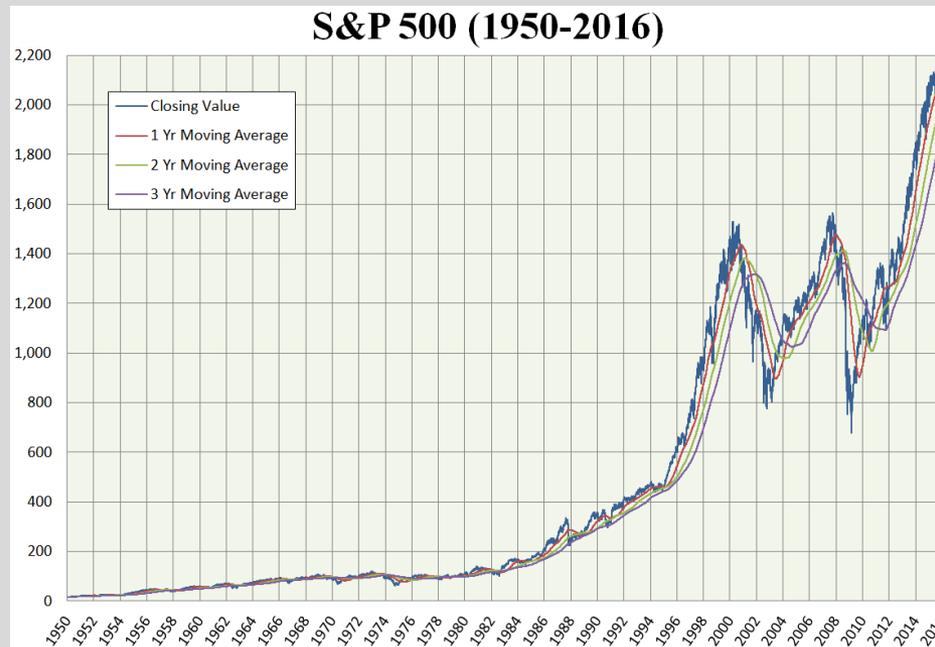
Verizon

Wal-Mart

Walt Disney

The Standard & Poor's 500

This is another barometer of day-to-day stock market activity. The S & P 500 is a daily index of stock prices of 500 specific corporations in the United States



Stock Market Indexes can be distinguished in four ways: -

- 1. The market covered**
- 2. The type of stocks included**
- 3. How many stocks are included**
- 4. How the index is calculated**

They can be either:

Price-weighted e.g. DJIA or

Value-weighted e.g. S&P 500

Stock Market Order Types

Order Type	Buy	Sell
Market Order	Buy at best price available for immediate execution	Sell at best price available for immediate execution
Limit Order	Buy at best price available, but not more than the preset limit price. Do not make the purchase if the limit is not met	Sell at best price available, but not less than the preset limit price. Do not make the sale if the limit is not met
Stop Order	Convert to a market order to buy when the stock price crosses the stop price from below	Convert to a market order to sell when the stop price crosses the stop price from above. This is also known as a “stop-loss”
Stop-Limit Order	Convert to a limit order to buy when the stock price crosses the stop price from above	Convert to a limit order to sell when the stock price crosses the stop price from above

Bull Market

A **bull market** is a financial **market** of a group of securities in which prices are rising or are expected to rise. The **term "bull market"** is most often used to refer to the stock **market** but can be applied to anything that is traded, such as bonds, currencies and commodities.



Bear Market



A **bear market** is a condition in which securities prices fall and widespread pessimism causes the stock **market's** downward spiral to be self-sustaining. Investors anticipate losses as pessimism and selling increases.

Golden Rules

No matter which way you choose, the NYSE, NASDAQ or the Amex, do your research first as to the company.

Stay in touch with what the market is doing.

The Stock Market is a gamble!

Invest wisely, within your means!

Buy Low and Sell High!



THE END