

WORDS

agreement = if two people, companies or countries promise to do something
annual = yearly
attend = go to
bankrupt = if you don't have enough money to pay back banks and the money you have borrowed from other people
board of directors = group of people in a company who make the important decisions
bond = a document that promises that a company or the government will pay back money to you
bondholder = a person who owns bonds
broker = someone who buys and sells things like shares of a company to other people
corporation = a very big company
decision = a choice you make after you discuss something
develop = grow
dividend = part of a company's yearly profit that is divided up among shareholders
expand = grow
government = people who rule a country
handle = deal with
interest = the extra money that you must pay back when you borrow something
issue = the right to produce shares
law = system of rules that a country has
lend = to give for a short time
limited liability = you only pay a certain amount if something happens to you or your company - you don't have to pay all of it
national stock = shares of a company that is in your own country
owner = a person who something belongs to
ownership = if you have or possess something
present = show
profit = the money you get when you sell things, after you have paid for your costs
promise = to say that you will do something
protect = defend, guard
right = something that you are officially allowed to have or do
share = a part of the ownership of a company
shareholder = a person who owns shares of a company
voting right = the right to vote
whereas = while, but

The stock exchange is a marketplace where **brokers** buy and sell **stocks** and **bonds** for other people. Many countries have one or more stock exchanges. Smaller stock exchanges often **handle** only **national stock**, **whereas** the big stock exchanges **handle** the stock of big international **corporations**.



CORPORATION

A **corporation** is a company that has the **right** to **issue stocks**. They are registered with the **government** and have **laws** that **protect** them and their **shareholders**. Every **corporation** has a **board of directors** who make **decisions** for the company.

People who invest in a **corporation** usually have **limited liability**. If a **corporation** goes **bankrupt** investors only lose the money that they have invested.

STOCKS AND BONDS

A person who buys **stock** becomes one of the company's **owners**. They buy a **share** of a company. A **bond** is an **agreement** to lend money to a company for a certain period of time. Companies sell **stocks** and **bonds** to people because they need money and want to **expand**. Sometimes they want to build more factories or **develop** more products.

If a company makes **profits** it can use the earned money in a few ways. It may decide to invest more into the company and **expand**. Most of the time the **shareholders** of the company get a **dividend**, which is a part of the yearly profit. This **dividend** is not always the same and can change from year to year.

Most **corporations** offer two kinds of **stock**. Owners of common stock can go to the **annual** meetings of **stockholders**, **present** their own ideas there, ask questions about the company and have a right to vote for the **board of directors**.

Owners of preferred stock usually do not have **voting rights** or the right to **attend** stockholders' meetings. However, they get **dividends**.

A person who buys a bond is not buying **ownership** in a company but **lending** the company money. It **promises** to give back the money to the **bondholder** after a certain time, such as ten or twenty years. In return for the money, the companies pay **interest**. Not only companies but also governments can **issue bonds** if they need money.



WORDS

actually = really

bankrupt = if you don't have enough money to pay back banks and the money you have borrowed from other people

bond = a document that promises that a company or the government will pay back money to you

broker = someone who buys and sells things like shares of a company to other people

brokerage house = a company of brokers

business = company

certain = special

concentrated = here: happens

constantly = the whole time

continue = to go on

contract = a written paper between two people or companies

corporation = a very big company

depend = something is affected by something else

execute = to do, carry out

issue = the right to produce shares

option = the right to buy shares at a special price with in a certain time

order = if someone asks you to buy or sell something

own = have, possess

rise = to go up

share = a part of the ownership of a company

shareholder = a person who owns shares of a company

stock exchange = place where you trade stocks and bonds

stock = a share or part of a company

stock ticker = a special machine that prints the price of company stocks

stockbroker = a person who buys and trades stock and bonds for other people

throughout = in all of

trade = to buy and sell goods

trading desk = the place at the stock exchange where the trading takes place

value = what something is worth

People buy **stocks** and **bonds** because they hope that a **corporation** will earn money as it grows. As time goes on **shareholders** usually earn more money by **owning** stock than by saving their money in a bank or investing in other things.

Buying **stock** is also a risky **business**. If you buy a **share** of a certain company and it does well over the years the **value** of your **shares** will go up.

You could sell them at a much higher price than when you bought them. Sometimes, however, things happen that make the **value** of certain **stocks** go down. If a company does badly or goes **bankrupt** the **value** of your **shares** goes down too and you actually lose money.



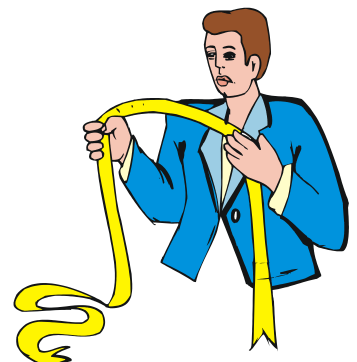
There are many reasons why the price of a company's **stock** rise or fall. For example if people are afraid that prices will go down, they may start selling their **shares**. If many people sell a large number of **stocks**, they can **actually** make prices go down. If this **continues** for a longer time it may lead to a crash. Prices of **stocks** fall so low that people don't want to buy them any more because they are afraid they won't get their money back.

STOCK EXCHANGE

To buy stock most people go to a **broker**, a person who is member of a company that is allowed to buy and **trade bonds** and **stock**.

Let's say someone in California wants to buy 2000 **shares** of a company. He doesn't have to travel to the New York Stock Exchange. He calls a **stockbroker**, usually a member of a **brokerage house**, who gives him information on the company and tells him the price of the **stock**. When the investor tells him to buy, the **broker** sends the **order** to his firm's **trading desk** at the stock exchange which then **places** the order. The order is sent to **stock tickers throughout** the country that **constantly display** the **value** of stocks. Because buying and selling stocks is **concentrated** in one place you know the price of each stock at once.

Stocks are often **traded** under a **contract** called an **option**. It allows a person to buy or sell **stock** at a **certain** price within a **certain** time. If the **value rises** within that time and within the price set the stock is quickly sold again. The prices change throughout the day **depending** on how good or bad **trading** is. Small **orders** are usually **executed** automatically by computers. Large **orders** however are **traded** directly at the stock exchange.



WORDS

affect = influence

average = usual, normal

billion = one thousand million

broker = someone who buys and sells things like shares of a company to other people

cautious = careful

charge = attack; move forward very quickly

collapse = break down

crash = here: the collapse of the whole system

crop = a plant like wheat or corn that farmers grow for food

economy = the system of buying and selling of goods in a country

Great Depression = the time after the stock market crash; the 1930s in which people lost jobs in the US and in most European countries

huge = very big

index, indices = list of prices at the stock exchange

list = here: to be in a directory

little = not very much

major = important

rise = to go up

share = a part of the ownership of a company

trade = to buy and sell goods

value = what something is worth

Each year investors **trade billions** of **shares** worth hundreds of **billions** of dollars. But not all companies are **listed** on the stock market. You must be pretty big and have a lot of power. You must also show the stock exchange that you are in a good financial position and that your company is doing well. The world's biggest stock exchange in New York has about 30000 companies **listed**.

To see how well or badly stocks are doing most stock exchanges have an **index**. This is a number that shows the **average share prices** of the **major** companies. The most important **indices** are the Dow Jones (New York), FTSE (London), DAX (Frankfurt), Nikkei (Tokyo), Hang Seng (Hongkong)

BULLS AND BEARS

Bears are **cautious** animals that don't like to move fast. Bulls are animals that like to **charge** ahead. At the stock exchange bears are investors who believe that the price of **stock** will go down. A bull believes that the prices will go up. Likewise, a bear market is a period in which **stocks** usually fall in **value**, a bull market a time when they **rise**.



HISTORY OF THE STOCK EXCHANGE

The first European stock exchange was founded in Antwerp, Belgium in 1531. The first stock exchange in England was formed by a group of **brokers** in London in 1773. Until that time people usually went to coffee houses to buy and sell **stocks** because they found the **brokers** there.

In New York City **brokers** met under an old tree on Wall Street. They organized the New York stock exchange in 1792.

For many years only rich people bought and sold **stock**. It was not until World War I that more and more private investors started investing their money in **stocks**. There was a **huge rise** in **value** and investors made a lot of money

STOCK MARKET CRASH OF 1929

The worst **crash** happened in the United States in October 1929. Over many days investors sold so many **stocks** that the whole market **collapsed**. This **affected** the **economy** not only in America but in Europe as well. Farmers could not sell their **crops**, factories couldn't sell their products, banks had to close and workers earned very **little** money. This lasted for almost ten years and became later known as the **Great Depression**.

