

The Stock Market

In this lesson, students will be able to identify characteristics of the stock market.

Students will be able to identify and/or define the following terms:

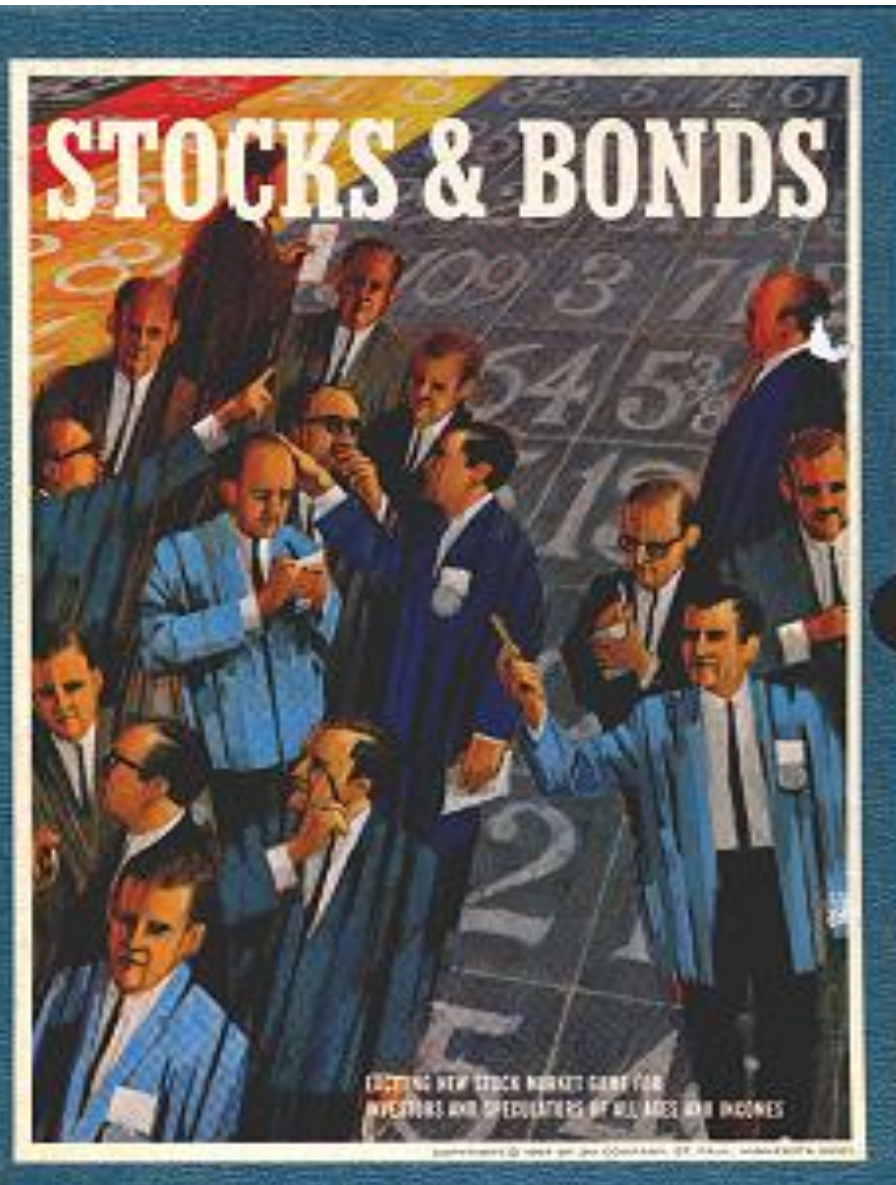
Stock

Dividend

Capital Gain and Capital Loss

Dow Jones Industrial Average

New York Stock Exchange



Do you remember
the investment
poem?

Stocks,
you own.

Bonds,
you loan.

Do Now:

- What are bonds?
 - Bonds are loans

Stocks

- When a person buys stock, he is buying partial ownership in a corporation.
- If the corporation prospers, the investor prospers.
- If the corporation fails, the investor can lose his investment.

- A stock certificate is a piece of paper that shows partial ownership in a corporation.



Profiting from Stocks

- There are two ways a stock investor can profit from his stocks:
 - Dividends: payments made by corporations to stockholders
 - Capital Gain: selling a stock for more than its original purchase price

- However, sometimes a capital loss occurs.
- A capital loss occurs when an investor sells his stock for less than the original purchase price.



Stock Markets

- Stocks can be purchased in the following stock markets:
 - The New York Stock Exchange (NYSE): handles the most powerful and established companies
 - NASDAQ-AMEX: handles mostly newer technology stocks

- The New York Stock Exchange (NYSE) handles the most powerful and established companies.



The Dow Jones Industrial Average

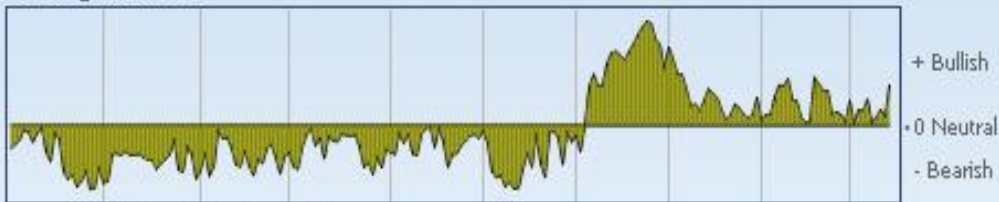
- Stock performance is reported in the Dow Jones Industrial Average.
- The Dow Jones Industrial Average is usually referred to as the Dow.
- The Dow monitors and reports generally on the trading activities of thirty of the most powerful companies.

Dow Jones Industrial Average - DJI

14 Feb 2006



Timing Indicator



Diamond Trust Fund - DIA



■ Bullish ■ Bearish ■ Neutral ■ No Signal Available

GlobalTiming.com

- The Dow is either up or down.
- If the Dow is up, stocks are selling at higher prices.
- If the Dow is down, stocks are selling at lower prices.

Bull and Bear Markets

- A bull market occurs when the stock market rises steadily over a period of time.
- A bear market occurs when the stock market falls over a period of time.
- Stock indexes, like the Dow, allow investors to track the progress of the stock market.

- Investors love bull markets.
- But remember, what goes up, most come down.



- While investors may not like bear markets because selling prices are low, bear markets are excellent times for buying shares at lower prices.



Questions for Reflection:

- What is the difference between owning stocks in a corporation and owning bonds in the same corporation?
- List two ways investors can make money owning stocks.
- List two markets from which investors can purchase stocks.
- Why is the Dow Jones Industrial Average important?
- What is the difference between a bull market and a bear market?