LESSON ONE:  STOCK MARKET BASICS

Let’s dive into the fascinating world of the **stock market**.

What Is the Stock Market?

It is a bustling marketplace where people buy and sell tiny ownership in big companies.  These little pieces are called stock shares.  Companies like Apple, Tesla, and Amazon sell these stocks to investors. When you buy a stock, you become a part-owner of that company until you decide to sell the shares.  Most of the time, these shares are only owned briefly.  Say days or weeks; however, some people will hold onto the shares of stock for many years.  It depends on your strategy for stock ownership.  More on that later.

Why Do People Buy Stocks?

People invest in stocks for various reasons.  If an investor hopes the stock’s value will go up over time. Then, they can sell it for a profit.  Their reason for ownership would be potential growth.

Some companies share their earnings with stockholders through regular payments called dividends so that the ownership reason would be regular income.

If the company holds some loyal interest in the investor’s heart, then ownership means you are part of a company’s success story.

How Does the Stock Market Work?

The stock market is like a supermarket but only sells stocks instead of groceries.  However, to sell its stock on the market, a company must convince the government that it is an honest company with legitimate business.  The government also has rules that make these companies somewhat transparent and explain their assets and liabilities.  Other companies also audit this information to prove they are telling the truth.  Also, unlike food in the supermarket, the prices of a share of a company’s stock constantly change.  When they do something outstanding, their stock share price will increase.  If the opposite happens, then the shares usually go down.  Folks who want to buy or sell stock shares can do it from the comfort of their home using special computer software directly linked to the stock market.  The software is provided by a company called a brokerage.  They are straightforward to use.  There are many dozens of them, which we’ll discuss later.  When you open an account at the brokerage and shop for stock shares, you can call yourself an investor.

Not to complicate things, but it’s worth noting that when you buy or sell stocks, you start with Opening a Trade. Suppose you open trade to buy a stock (buy-to-open).  This is commonly called a long trade.  However, you can also open a trade by selling stocks (sell-to-open), called a short trade.  To make this even more challenging, you don’t need to own the stock you sell.  You can borrow it from your brokerage under exceptional circumstances.  Please do not get hung up on short trading.  We will not be doing it on this course.  We will discuss it thoroughly in future lessons.

When opening a trade, you give the stock brokerage different directions.  These will be discussed later, but the two most common directions given to the brokerage are as a Market-order or a Limit-order.  If you use a market order, you are directing the brokerage to fill the order as rapidly as possible and accept the share's current market cost.  If you use a limited order, you ask the brokerage only to fill the order when shares are available at or below the specific price you list in your directions.  Limit orders may or may not be filled.

Each stock sold in the stock market has an abbreviated name called a ticker symbol.  They are typically between 1 and 4 characters long.  Some examples are TSLA, the symbol for Tesla, and AAPL, the symbol for Apple.  In all, 13,000 different stocks were sold in the stock market.  Stocks traded on the New York Stock Exchange number 2,385, and stocks traded on the Nasdaq stock exchange number about 3,611.  There are also groupings of stocks that separate them into segments.  For instance, the largest 500 companies in the stock market are called the S&P 500.  Remember, the stock market isn’t just about numbers; it’s about owning a piece of the companies shaping our world.

The next lesson will discuss the significant differences between how people and companies study stocks before buying them. Yes, you heard right. Companies can own shares of other companies. Under the right circumstances, companies can own shares in each other.