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Policy brief: Stock exchange and shares

Stock exchange is an organized marketplace for securities (stocks), with the centralization of supply and demand for the transaction of orders by brokers for institutional and individual investors.

When buying shares in a company, you are buying a part of that company. In that way one shares in the company's performance in the form of profits which can be given as dividends and/or capital growth through the value of shares increasing. In the other hand, the company benefits by using that money and money of other investors to finance its business or its expansion, without having to borrow money.

Although past performance is in no way indication of future performance, history suggests that shares have outperformed other types of investment over the longer term.

One can buy and sell shares quickly. Other investments often take longer to sell and get your money back. This concept is known as liquidity. Some shares can be traded quicker than others due to their increased liquidity. (Liquid investments have the benefit of greater flexibility). Shares also determine exactly how money is invested, enabling the control over finances. It is also possible to authorize responsibility with a stock broker or financial planner who can advise on what shares to buy and sell.

Although the stockmarket historically has outperformed other investments over the long term, the market can experience volatility in the short term. That means that risk understanding is essential part of stockexchange business. Individual stock prices can go down as well as up. It is important to monitor shares' performance, and to regularly re-evaluate whether they continue to be a good investment.

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