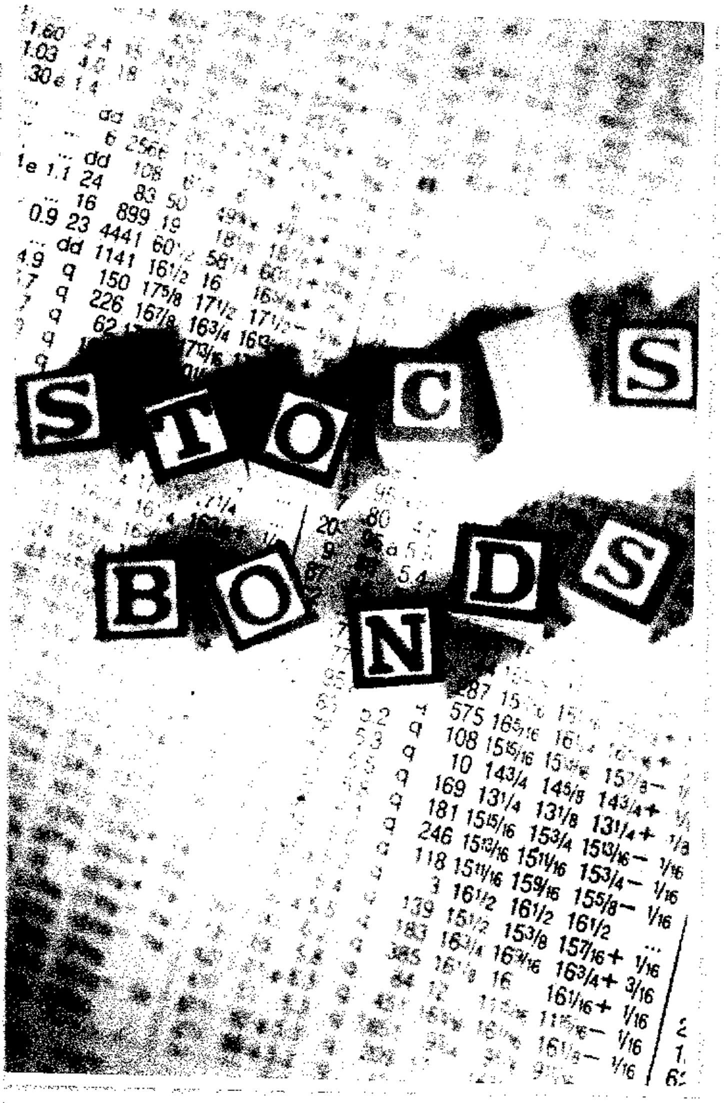
Warm-up

1 Discuss these questions.

1 Do you think that it is a good idea to invest money?
2 What would you invest in?



The Stock Exchange

The Stock Exchange is the centre where shares[1] and bonds[2] are bought and sold.
The capital of a company is divided up into parts which are called **'shares'**. Shares are the result of dividing the capital invested in a company into equal units. In the USA, shares are known as **'stocks'** and their owners are called **'stockholders'**.

People buy shares because they hope to make a profit by selling them after their value has risen. They may also earn a dividend from the company's profits. However, there are risks involved: shareholders risk a loss if the value of the shares goes down or if there are no company profits to be divided, in which case they receive nothing.

A **bond** is a document issued by a government or company when borrowing money from the public. The holder of the document is called a '**bondholder**'. The bondholder can use the document to obtain repayment of the loan, plus a fixed rate of interest.

Trading on the Stock Exchange now takes place 24 hours a day in the main trading centres of the world. It is often said that 'as one market closes, another opens.'
The markets of America are opening when London and other European markets close. The important markets of the Far East (Hong Kong and Japan) open as American markets close.

Glossary

1 **share** azione
2 **bond** titolo obbligazionario

Compare market value of publicly traded shares

	Market value ($)
Brazil	711.1 billion
China	4.477 trillion
India	818.9 billion
Italy	798.2 billion
Japan	4.737 trillion
UK	3.058 trillion
USA	17 trillion

2 Look at the chart and answer these questions.

1 Which is the country with the highest volume of publicly traded shares?
2 How do emerging countries such as India and Brazil compare with the other countries?

Who operates on the Stock Exchange?

When an investor wants to buy and sell shares he needs the assistance and advice of an intermediary – a **broker-dealer** who buys and sells shares on behalf of members of the public. Brokers earn a commission for arranging the purchase and sale of shares.

Glossary

1 **bear** ribassista
2 **bull** rialzista

Bears and Bulls

There are two main types of dealers who take risks and try to predict what is going to happen on the stock market: bears[1] and bulls[2].

- **Bears** are cautious animals who don't like to move too fast. An investor is called 'a bear' if he buys stock cautiously because he expects the prices of shares to fall. Therefore, he sells shares in the hope that their value will drop to a lower price than the one he paid when he bought them.
- **Bulls** are bold animals who like to charge right ahead. A 'bull' investor believes the market will go up and the value of the shares will rise. Therefore, he tends to buy shares so that he can sell them at a later stage at a higher price and make a profit.

An investor can be a bear or a bull about a particular kind of stock. In the same way, the term 'bear market' describes a time when stock prices are generally falling. A 'bull market' is a period when stock prices are generally rising.

3 **Answer these questions.**

1 What is the Stock Exchange?
2 What is a share?
3 Why do people buy shares?
4 What risks do they run?
5 What is a bond?
6 Who is a broker?
7 Why are some dealers called 'bears' and others 'bulls'?