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What is the stock market?

Understanding how companies raise capital and how ownership is traded in public markets.

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Read online: https://traderange.net/learn/what-is-the-stock-market-4qjoo195/



The World's Marketplace for Ownership

The stock market is where investors buy and sell ownership in companies. Each share represents a small piece of a business, and the market exists to make that exchange fast, standardized, and accessible.

What you'll learn here

The stock market connects companies that need funding with investors who want returns. Prices move constantly because millions of people are making decisions based on information, expectations, and risk.

- What a stock actually represents

- Why stock markets exist
- How trading works step-by-step
- The role of exchanges and brokers
- What drives price changes

What Is a Stock?

A stock is a unit of ownership in a company. Buying a share means owning a fraction of that business.

If the company performs well, the value of your share may increase. Some companies also distribute profits to shareholders in the form of dividends.

You don’t control the company’s operations as a shareholder, but you do participate in its financial outcome.

Why the Stock Market Exists

Businesses need capital to grow. They use stock markets to raise money by selling ownership stakes to the public.

- Companies get funding for expansion and operations
- Investors get access to growth opportunities
- Capital flows more efficiently through the economy

Without stock markets, raising large-scale investment would be slower and far more limited.

Primary vs Secondary Market

The stock market operates in two layers.

The **primary market** is where shares are created and sold for the first time, usually through an IPO.

The **secondary market** is where investors trade existing shares with each other. This is where most trading happens daily.

How Stocks Are Traded

Trading is mostly electronic.

- Investor places a buy or sell order
- Broker sends the order to the market
- Exchange matches buyers and sellers
- Trade executes at an agreed price

This process takes place in milliseconds.

Stock Exchanges

A stock exchange is the system that matches buyers and sellers of stocks.

- Centralized trading venue
- Order matching system
- Transparent pricing
- Market liquidity

Exchanges ensure fairness, speed, and transparency in trading.

Brokers

Investors access markets through brokers.

A broker routes your orders into the exchange and provides tools for trading and portfolio management.

Why Prices Move

Stock prices change because supply and demand constantly shift.

- Strong demand pushes prices up
- Strong selling pressure pushes prices down

Key drivers include earnings reports, interest rates, economic data, and investor sentiment.

Liquidity

Liquidity measures how easily an asset can be bought or sold without affecting its price.

High liquidity means fast execution and stable pricing. Low liquidity means slower trades and wider spreads.

Stock Market vs Economy

The stock market reflects expectations. The economy reflects real-world activity.

They are related but not identical. Markets often price the future, not the present.

Key Takeaways

KEY TAKEAWAYS

- A stock is ownership in a company.
- Markets connect capital with opportunity.
- Primary market issues new shares; secondary market trades existing ones.
- Brokers and exchanges enable trading.
- Prices move due to supply and demand.
- Liquidity is essential for efficient markets.

BROWSE ALL LESSONS PLAY A GAME

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