Subject: Stocks
Posted by gibberish on Tue, 06 Apr 2004 06:14:09 GMT
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In very simplistic terms think of stocks like a foreign currency.

Assume your American and the foreign currency is British pounds for this example.

Lets say you have 10 Dollars and you want to by some Pounds (or stock).
Lets say the value of the Pound (or stock) is currently 2 Dollars.
So you get 5 Pounds for your 10 Bucks.
Then lets say the pound (or stock) increases in value to 3 Bucks.
You can now sell them back to get 15 dollars.
Alternately the Pound could drop against the dollar in which case if you sell them you will loose money.

Just like when you change money at a bank, stockbrokers charge a commission on every trade, so the stock actually has to move in the right direction before you can even break even on the trade.

What stocks actually are is ownership in a company, basically if all of the available stock in a company was made available to the public and you were to buy it all, you would now own the company. When a company is doing well it is perceived to have a higher value so the stocks go up, when it is doing badly the value is perceived to be lower, hence the stock price goes down, but the bottom line is that a stock is only really worth what someone is willing to pay for it, so if no-one is willing to buy the stock, it has no value.