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## **THE GAME OF THE STOCK MARKET**

You have heard about the stock market but how does it really work? It is not as complicated as it might seem. We are going to follow the story of Jack, a young man looking to make some money playing the stock market.

A stock (share) is simply owning a piece of a corporation. Jack would like to own part of Bayerlway, a new golf club manufacturer. It is a young and growing company that is developing right here in Rochester. The company wants to expand its facilities and so needs to raise some money. The company decided to issue 1,000 stocks for a price of \$100 per stock.

Jack decides to purchase 50 shares (stocks) at a cost of \$5,000. He feels that this is a company with a lot of potential and a lot of people are going want to be part of it.

In the next couple of months Bayerlway becomes a very popular golf club manufacturer. Its clubs have helped improve the games of many people including teachers who dream one day of being a professional golfer. People would like to own stock in Bayerlway are willing to pay up to \$200 for one share!!!

Jack has a decision to face; does he sell his 50 shares? Remember each share is now worth \$200, which is \$100 more than he originally paid. He could also hold on to his shares and hope prices for the shares go up and sell them later. The risk of course is that the price of each share could fall if bad news about Bayerlway comes out.

Jack decides to sell his stock now. He sells all 50 shares at \$200 dollars a piece. His profit (subtract what he originally paid for the shares) is \$5,000!!!!

Jack's friend Sara also bought 50 shares when Jack did but decided to keep her shares hoping the price would keep going up. Unfortunately, a person was hitting golf balls on the driving range one day and the clubhead flew off of a Bayerlway driver. The story got out that Bayerlway clubs may be defective. The profits for Bayerlway fell and people no longer wanted to own its stock. Everyone was trying to sell but because there were more sellers then buyers the price for the stock fell. Within a couple of months the price of the stock fell to \$50.

Sara eventually sold her 50 shares at \$50 dollars a piece. She made \$2,500 but originally paid \$5,000 for the stocks. In the end she lost \$2,500.

Such is the game of the stock market and the risk and reward that comes along with this game.

In October 1929, people owned a good deal of stock and prices for stocks were very high because there was a lot of competition for them. As word got out that business profits might be falling and the economy was weakening people decided to sell their stocks. Prices for stocks dropped because there were more sellers then buyers. People who once thought they had millions were left with nothing but worthless stocks that no one wanted. This event was known as the stock market crash of October 1929.