STOCKS AND SHARES

AIMS :

☺ ***To learn about***: stocks and shares, key vocabulary of the stock market
☺ ***To learn how to:*** talk about market price changes

DISCUSSION

- Have you ever speculated in anything? What happened?
- Do you agree with Mark Twain that it is always dangerous to speculate in stocks and shares?
- There were 3 big stock markets crashes in the twentieth and twenty-first century. Do you know them?
- Do you know why and how company issue shares?
- Do you possess any shares? If yes, why and how did you buy them?

VOCABULARY 1

You are going to read about share prices. Before you read, check your understanding of the words and phrases in the box by matching them with their definition (1-10)

Bankruptcy/ bubble/ collateral/ institutional investors/ raise capital/ bears/ bulls/ day traders/ issue/ shares

1. A name for investors who buy shares because they expect their price to rise
2. A name for shareholders who sell because they expect the price of the share to fall
3. A period of rapidly rising share prices, followed by a quick collapse
4. Assets a borrower uses to secure or guarantee a loan
5. Certificates representing part-ownership of a company
6. Financial organisations that own a lot of shares
7. People who buy and re-sell shares in a very short time, often just a few hours
8. To get money from investors with which to run a business
9. To offer securities for sale, to financial institutions and the public
10. When you have no money to pay your debts, so you have to sell your assets

READING: WHY STOCK MARKETS MATTER

1. Can you think of any ways that changes in share prices could affect people who do not own any shares themselves?
2. Now, read the text and compare It with the answers you gave to question 1.

WHY STOCK MARKETS MATTER FOR YOU

By BBC News Online's Stefan Armbruster

The saying goes: "Don't invest what you can't afford to lose".

But as stock markets fall, it is not just people who own shares who lose out. When the bears replace the bulls, in other words, when the market falls, it affects almost everyone because stocks and shares have become an integral part of almost all our financial lives. Your pension, Individual Savings Account, personal shareholdings, your job, right through to the UK government's policy of selling off gold to buy foreign currency are affected.

There are a variety of ways in which stock market movements impact on our lives. The upbeat side of the growth in share ownership is that when the stock market goes up, consumers with shares feel richer, they borrow more and they spend more. It can become a virtuous circle: As consumer spending increases company profits rise, pushing share values higher, making consumers feel better off, so spending increases... and so on.. But just as the stock market can go up, it can also go down. Usually the first to react to this are the institutional investors who are involved in the financial markets on a daily basis.

The internet boom is an example. Many personal investors felt they were burnt by the popping of the dot.com bubble. By the time they got around to selling shares in any number of failing internet based companies, the big City investors had already pulled out of the market. The institutional investors did not escape unharmed either. And the hits that they took also have an indirect, but potentially serious effect, on many people's financial health. Any pain suffered by these institutional investors impact on the returns paid on pensions, savings accounts or the interest charged on mortgages.

For individuals with a more direct interest - say day traders attracted by the tech boom - share holdings can be used as collateral to borrow money. But if the value and income from shares evaporate and the bank calls in the loan, the result can be big losses or personal bankruptcy. Pensions and jobs Meanwhile pensions linked to the stock market, like the ones being promoted by the UK government, are not immune. Unlike the state pension which is paid out at a rates set by the government, investing in a private pension indexed to the stock market can increase the value of the contributions dramatically, but they can also be erased.

Your job can also depend on the markets as companies use their valuation and the issue of new shares to borrow capital to expand. If they are unable to do this then they have to find ways of increasing the company's value to attract investors. The key tool they use is to cut jobs

According to the text, are the following statements True or False?

1. Nearly everybody suffers the consequences when share prices go down
2. Institutional investors are usually slower to sell when the market falls than personal investors
3. The value of pensions paid by the government can go up and down with the stock market
4. Companies can acquire new capital for expansion by issuing new shares
5. Companies sometimes make people redundant in order to increase the company’s value and its share price

VOCABULARY 2

The phrases in the box have different meanings according to the situation they are used in. what meaning do they have in the text?

a.to lose money	**b. not to lose money**

__Choose the right answers(s) for the above expressions:__

to be burnt/ to suffer pain/ to escape unarmed/ to take a hit

Find phrases in the text that means the following:

1. to sell all your stocks
2. to demand that a loan is repaid
3. to encourage people or companies to buy shares
4. to fire people

VOCABULARY 3

Match up the following words and definitions.

Blue chip	defensive stock	growth stock	insider share-dealing
mutual fund	market maker	portfolio	stockbroker

1. A company that spread investors' capital over a variety of securities
2. An investor's selection of securities
3. A person who can advise investors and buy and sell shares for them
4. A stock in a large company or corporation that is considered to be a secure investment
5. A stock – in an industry not much affected by cyclical trends – that offers a good return but only a limited chance of a rise or a decline in price
6. A stock – which usually has a high purchasing price and a low current rate of return – that is expected to appreciate in capital value
7. A wholesaler in stocks and shares who deals with brokers
8. The use of information not known to the public to make a profit out of buying or selling shares

VOCABULARY 4

There is a logical connection among three of the four words in each of the following groups. Which is the odd one and why?

1. Annual report – external auditors – financial statements – stockbrokers
2. Blue chip – defensive stock – growth stock – right issue
3. Bonus issue – dividend – over-the-counter – shareholder
4. Creditor – market maker – shareholder – stockbroker
5. Debt – equity – share – stock
6. Face value – market value – nominal value – par value

7. Float – liquidation – share issue – underwriter
8. Institutional investor – insurance company – liabilities – pension funds
9. Mutual fund – portfolio – risk – underwriter

Source: from *English for Business Studies* and *English for the Financial Sector*