~ The Basic Concepts of Investing ~

The NYSE

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"...After all, the chief business of the American people is business. They are profoundly concerned with producing, buying, selling, investing and prospering in the world."
President Calvin Coolidge, January 17, 1925

This series begins with the origins of what would ultimately become the greatest economic engine ever known.

I often ask people if they know when the New York Stock Exchange was established. Most often, responses are either in the late 1880's or sometime in the 1920's.

The exchange, which would later be officially named the New York Stock Exchange (NYSE) in 1817, celebrated its 226th anniversary on May 17, 2018. It was founded on May 17, 1792 when 24 stockbrokers signed the Buttonwood Agreement in New York City on Wall Street.

The U.S. stock market is nearly as old as the United States itself!

On May 17, 1792, twenty-four brokers met beneath a Buttonwood tree (thus the name of the agreement), forming the Exchange. They agreed to *exchange* shares of common stocks, trading only within their group. They removed the middle men, i.e. the auctioneers, and set commissions on their trades. Five securities were initially traded, three were bonds and two were stocks, one being the Bank of New York, which was the first company to be listed on the NYSE.

The NYSE is not America's first stock exchange. The country's first stock exchange was established in Philadelphia in 1790, but it eventually became overshadowed by the NYSE in shares listed and market volume. Europe has the distinction of having the first exchanges, one of the earliest dating back to the 1500's in Belgium where they traded bonds and promissory notes. Back then, there weren't any real stocks as we know them today.

Stock exchanges provide an important role in the functioning of the economy by providing the foundation to a modern nation's economic infrastructure. Stock exchanges help companies raise money to expand. They also provide individuals the ability to invest in companies.

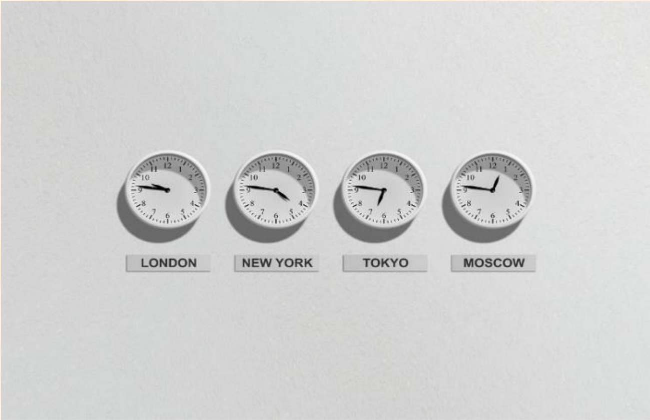
To issue shares for the investors to invest in the stocks, a company needs to get listed on a stock exchange and through the primary market of the stock exchange they can issue the shares and get the funds for business requirements.

The stock market is a vital component of the economy of a country.

Stock exchanges provide companies of all sizes the ability to raise the capital needed for the operation of their business. The infusion of cash that a company receives from selling its shares can be used to hire more people, provide cash to buy more equipment, expand their locations, and fund general operations.

It also provides opportunities for investors to buy shares of the company. Investors can invest in a business without dealing with all the hassles of owning and operating a company. When an investor purchases stock, they actually take a small ownership of the company. This allows them to possibly profit in the growth of the company, if the business itself becomes profitable. And if provided by the company, investors can receive cash dividends that can be reinvested. Dividends are a percentage of the company's profits.

Today, there are many stock exchanges located around the world: London, Paris, Germany, Japan, India, Canada, Italy Russia and China, just to name a few.



Next issue: **What exactly are the Dow Jones, S&P 500 and NASDAQ indexes, Bulls and Bears?**