



Business English

Stock Markets

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Unit 8: Stock Markets

Objectives:

- Introduce concepts and the terminology of the stock market in English and related business expressions and idioms .
- Train students to identify specific details in a text.
- Guide students to write about comparison and contrast by synthesising information found in two short reports

Skills: reading, listening, writing

I. Pre-reading

A/Look at the following cartoon on stock markets and answer the questions below:



"Stocks fell sharply today on predictions of speculation of rumors of negative indicators."

- 1. The caption indicates that...**
 - a) Stock prices are stable
 - b) Bad news negatively affect the stock market
 - c) Interest rates are getting higher
- 2. Share prices in the stock market depend on...**
 - a) Demand

- b) Supply
- c) Both demand and supply

B/ Now, look at the picture below, does it show:



The [New York Stock Exchange](#) as seen from Wall Street

- a) The stock exchange building on the outside?
- b) Stock brokers in action?
- c) The American flag covering Wall Street?

II. READING

Read the text and then answer the questions which follow:

Learning the Stock Market

The fresher the fish, the better the price at the market. The "stock market" is just that- a huge "market" where stocks are traded by many different vendors. Similar to the way other things are traded- like fish or vegetables at the old-world market, or cows at the cattle auctions- stocks are traded "at auction". Prices are determined by supply and demand- by sellers and buyers willingness to buy or sell at a certain price. As demand goes up, the price goes up, and so on.

Imagine, over 100 years ago, brokers literally shouting, "I have 100 shares of Pacific Railroad for sale, how much will you offer me?" If a broker had an order to buy some stock he would shout "Someone sell me 100 shares of Pacific Railroad! Who has the best price?" You've probably seen some of that happening- in more modern times- in film clips of the Chicago Board of Trade where wheat, corn and pork bellies are bought and sold. Market trading is more organized now. Computers do the shouting.



Brokers arrange for the actual trades (isn't "broker" a funny name for someone that handles your money). A broker is someone who sells stocks for a dealer. Charles Schwab is a dealer. The dealer holds inventories of stocks and sells them through the sales person. The sales guy is the broker or the specialist. If a sell order comes across the computer at an attractive price, the dealer buys (through his agent, the specialist), and adds this stock to his inventory. The brokers, and specialists, using computers, bring the dealers and investors together.

What makes the price of a stock change? Companies are expected to earn profit. If profits increase, the stock price will likely increase. Even if investors *think* the earnings will increase, the stock price may go up. If good news comes out on a company, the price, and demand for the stock may go up. With bad news, the price and demand may go down. The price of a stock is even more dramatically affected when supply is very high or very low. It is not so uncommon for certain unscrupulous individuals to "create" news or other financial information, for the purpose of duping unsavvy investors into creating a demand situation, into which, the unscrupulous-one "sells into" and makes an unfair profit. Investors beware.

There are several different prices:

- Opening Price is the first price paid after trading starts, usually when the stock exchange "opens its trading doors", usually in the morning. Sometimes, opening price is higher or lower than the closing price of the previous day (orders are placed overnight, and after stacking up, affect the demand- and, thus, the opening price.
- Closing Price is opposite- its the price of a stock when the market closes- the price "at the close".
- Ask price is the price you will pay for a stock (and is slightly more than the trading price because it includes a dealer "commission").
- Bid price is what the broker, or agent, will buy your stock for (and is slightly less than the trading price because it includes a dealer "commission").
- Spread is the difference between the bid price and the ask price.

If many buy orders come through the specialist, the price for the stock will be increased. If many sell orders come across the desk, the price will go down. Supply and demand drives stock prices. Lots of orders reduce the spread- thinly traded stocks have a higher spread.

Three Different Stock Exchanges:

There are several organized "exchanges" in the US that make up the stock market. They are the New York Stock Exchange (NYSE), the National Association of Security Dealers Automated Quotes (NASDAQ), and the American Stock Exchange (AMEX). For a company's stock to be "listed", or traded on a particular exchange, it must meet that exchange's requirements of profit, size, employees, and the like.

Penny Stocks:

You get what you pay for- not much. Many new investors are drawn towards the purchase of "penny stocks". Penny stocks, as a group, have little demand in the "market" With penny stock, even when there is good news about a company, who is going to buy the stock from you? Penny stock is rather



like Ostridge meat- it may be a good product, but there is no market (demand) for it. The best fishermen sell the best fish.

Source: <http://pages.prodigy.com/wealth/learn.htm>

A/. The text is about:

- a) Bad behaviour in the markets
- b) Expensive prices for goods
- c) The structure and organisation of stock markets

B/ Guess the meaning in context:

1. “The fresher the fish, the better the price at the market” (paragraph 1), does this saying mean...?

- a) shares always have same prices
- b) prices of shares vary according to their value
- c) share prices are equal to fish prices

2. “Computers do the shouting” (paragraph 2), means:

- a) Computers shout at users
- b) Computers shout from overuse
- c) Computers organise prices offered and demanded

3. “Many sell orders come across the desk” (paragraph 5) means that...

- a) Sell orders are thrown on the desk
- b) Sell orders are offered by the public
- c) Sell orders are cancelled

C/ Fill in the table with the appropriate information from the text:

Person	Role
Broker	
Dealer	



Agent	
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D/ What factors negatively affect the stock market? (There could be more than one possible answer)

- b) High supply
- c) High demand
- d) Good market news
- e) Political turmoil

E/ Fill in the following table with suitable information about types of share prices and their characteristics:

Price type	Definition and Characteristics
Open price	
	It is slightly more than the trading price because it includes a dealer "commission"
Bid price	

III. Post-reading:

Grammar

A/ Consider the following sentences from the text (paragraph 4).

- *“If profits increase, the stock price will likely increase.*
- *Even if investors think the earnings will increase, the stock price may go up.*
- *If good news comes out on a company, the price, and demand for the stock may go up. With bad news, the price and demand may go down.”*

If+ simple present → Will/May +infinitive ⇒ this is known as “conditional I”

Now, complete the following sentences using the same type of conditional (type I)

1. If individuals wish to purchase a stock, they _____ (place) an order with a brokerage house
2. If the broker gets a quotation or price and sends the order to the firm's representative on the floor of the stock exchange, the representative _____ (negotiate) the sale and notifies the brokerage house.



3. If the company's financial condition _____ (deteriorate), trading in its stock _____ (suspend).
4. If buy orders _____ (come) through specialists, the price for the stock _____ (increase).
5. If many sell orders _____ (present), the prices _____ (go down).

B/ Consider the following sentences:

If we had more employees, we would work more efficiently.

- *If we delivered poor quality, we would not be the leading company in our business.*

If + Simple Past, would + infinitive (this is known as conditional type II)

Now complete the sentences using the same type of conditional (type II)

1. If we (have) _____ a yacht, we (sail) _____ the seven seas.
2. If employees _____ (be active), better strategies _____ (develop)
3. If the manager _____ (be) more flexible, workers _____ (be) much more at ease.
4. If speculators _____ (make) less harm, we _____ (minimize) the risk.
5. If estate prices _____ (rise) a bit, we _____ (sell) the buildings.

C/ Consider the following sentences:

If you had read the paper, you would have seen the advertisement.

If I had taken the bus, I would have been late.

If + Past Perfect, would + have + past participle

⇒ This is known as “conditional type III

Complete the Conditional Sentences using the same type of conditional (type III)

1. If prices _____ (announce) earlier, we _____ (participate) in the draw.
2. If the bank _____ (warn) customers earlier, the financial disaster _____ (avoid).



3. If the company's strategy _____ (be) successful, no such crisis _____ (emerge).
4. If speculators _____ (do) such a dirty work, the economic effects of the crisis _____ (reduce).
5. If the concepts in the lesson _____ (explain clearer), a better achievement _____ (see) in the test.

Vocabulary

A/ Match the following stock market terms (from 1-4) with their appropriate definitions (from a-d):

Term	Definition
1. Bid	a) A licensed professional who buys and sells stocks and shares for clients in exchange for a fee, called a 'commission'
2. Stock broker	b)The price a buyer is willing to offer for shares in a company
3. Stock holder	c)All shares representing ownership of a company
4. Capital stock	d)Person who owns stocks and shares

B/ What do the following words mean in the text?

- 1) It is not so uncommon for certain **unscrupulous** individuals to create news...
 a) Dishonest b) Kind c) unfriendly
- 2) It is not so uncommon for certain unscrupulous individuals to "create" news or other financial information, for the purpose of **duping** unsavvy investors into creating a demand situation
 a) Helping b) cheating c) inquiring

Listening:

A/ Look at the cartoon below and answer the questions:



Source: http://www.pritchettcartoons.com/bear_c.htm

1. The cartoon shows animals...

- a) in a zoo
- b) acting like human beings
- c) attacking the stock market

2. It can be inferred from the cartoon that...

- a) there are people behind the scenes
- b) times for selling shares are never suitable
- c) the stock market is a dangerous place

3. There are connections with the story in the listening in the sense that...

- a) People act like animals in the stock market
- b) Bear market and Bull market are terms used in the field of stock markets
- c) Bears hate bulls.

B/Listen to the following program from the Voice of America and then answer the questions below:

1. Listen and decide whether the following statements are true or false

Statement	True	False
The stock exchange is a quite place		
Brokers and investors carefully watch for prices changes on the screen		
Investors in a bear market promise to sell a stock in the future at a fixed price		
Investors do not care about the risks of a company failure		



When a company makes more profits than expected, the value of its stock increases		
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2. In the stock exchange, we can see... (match with the right alternative)

- a) People eating fast food
- b) People telephoning
- c) People shouting and running around
- e) People shooting each other

3. “Bear market” means...

- a) a risky market
- b) a market where prices go down
- c) a market where bears are sold

4. A company is said to go belly up when...

- a) It does not earn enough profit
- b) Investors are hesitating
- c) It is making unexpected profit

5. Investors are hoping for a windfall means:

- a) Investors are going sailing
- b) Investors hope for unexpected profits
- c) Investors watch the weather forecast
- d) Investors are losing money in the stock exchange

C/ Define the business expressions below mentioned in the program

* **Stock exchange:**.....

* **Bull market:**
.....

* **Big Board:**

Pronunciation

A/ **Same or different?**



WORDS			S/D
a.	Trade	priv <u>a</u> te	
b.	veget <u>a</u> ble	ag <u>a</u> gent	
c.	Sup <u>pl</u> y	diffic <u>u</u> lt	
d.	De <u>a</u> ler	we <u>a</u> lthy	
e.	Dem <u>a</u> nd	de <u>t</u> eriorate	

B/ Drop in the boxes according to the sound of the underlined part

avoid-investor-profit-supply-exchange-auction-commission-stock-modern-negotiate-share

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Writing:

Read the two extracts below about the American Stock Exchange and the Tunisian Stock Exchange

Extract 1. The American Stock Exchange

Located only blocks from the New York Stock Exchange, the American Stock Exchange (AMEX), which was founded during the 1790s, is the stock market for small companies and small investors. The stock issues of organizations that do not meet the listing and size requirements of the [NYSE](#) are commonly traded on the AMEX. Once known as the "New York Curb Exchange" because dealers traded on the street outside brokerage houses in the New York financial district, the AMEX moved indoors in 1921.

Trading on the AMEX reached new heights as the 1990s drew to a close. Average daily trading volume was a record 29 million shares in 1998, up from the previous high of 24.4 million set only a few years earlier. More than 7.3 billion shares changed hands on the AMEX in 1998, up from 6.1 billion a year earlier. By 2000, the number of shares traded on the AMEX had reached 13.318 billion. On the NYSE, by contrast, 307.5 billion shares valued at \$10.5 [trillion](#) changed hands in 2001, an increase of 17 percent over the 262.5 billion shares traded in 2000

(<http://www.answers.com/topic/market-1>).



Extract 2. Tunisia Stock Exchange

The **Stock Exchange of Tunisia** which is known as *Tunis Stock Exchange* is a small but effective African stock exchange. When the state enterprises became private, the activity of the Tunis Stock Exchange should be increased.

In 1969, Tunis Stock Exchange was formed and at present, more than 20 companies are listed on this exchange. However, this exchange was initially formed in 1969, but until 1995, it was an integral component of the Tunisian financial market. Later on, Tunis Stock Exchange was privatized. For the last two years, the stock market represents the sanguinity of the Tunisian economy with comprising an average of 30% return. In 1996 and 1997, the Stock Exchange faced many difficulties but in 1998, reforms took place to increase effectiveness and lucidity. With the launching of a new trading system based on the French SUPERCAC electronic trading system, this exchange assures a high degree of price lucidity.

Currently, the BVM Index is a list of the all companies which trades on the Tunisia Stock Exchange. In April 1998, a new index known as TUNINDEX was launched to the Tunisia Stock Exchange.

Still today, the stock exchange of Tunisia remains small with overall market capitalization of approximately \$3.6 billion but in 1999, its performance was extremely well with a price-to-earnings ratio of 12. In 2006, the growth of trade volume was 57 percent, which was non-speculative.

At present, 25 percent of the total market capitalization is acquired by foreigners. Following the growth of the economy, the total market capitalization of Tunisia stock exchange also developed.

<http://finance.mapsofworld.com/stock-market/tunisia-stock-exchange.html>

Assignment: Now compare and contrast the two stock markets described in the two extracts. Brainstorm with two of your classmates first as to how to organize your essay.