

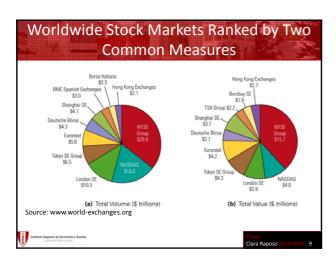
## The role of the Stock Market

- Provides Liquidity to shareholders: The ability to easily sell an asset for close to the price you can currently buy it for;
- Public Company: Stock is traded by the public on a stock exchange.
  - Private Company: Stock may be traded privately.
- Primary Markets
  - When a corporation itself issues new shares of stock and sells them to investors, they do so on the primary market.
- Secondary Markets
  - After the initial transaction in the primary market, the shares continue to trade in a secondary market between investors.

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## • Largest Stock Markets - New York Stock Exchange (NYSE) • Market Makers/Specialists - Each stock has only one market maker - NASDAQ • Does not meet in a physical location • May have many market makers for a single stock - Bid Price versus Ask Price • Bid-Ask Spread - Transaction cost



	Banking System	
	<ul> <li>As an alternative to issuing securi corporations can raise funds in th system through loans</li> </ul>	-
	More common in Continental Europ small firms	e and among
	• Money Market (interbank – LIBOF	R, EURIBOR)
	• Foreign Exchange Market (spot)	
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