

## STOCK EXCHANGES UNITED STATES

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- Stock Exchange
- New York Stock Exchange
- Yield and volatility of NYSE
- Chicago Stock Exchange
- Philadelphia Stock Exchange
- NASDAQ
- Corporation or mutual organization, provides facilities for stock brokers and traders, to trade company stocks and other securities.
- The **world's first stock exchange** was established in Antwerp, Belgium in 1460 under the rule of Philip the Good.
- The Amsterdam **Stock Exchange**, created in 1602, became the **first official Stock Exchange**

### NEW YORK STOCK EXCHANGE

- Traces its origins to 1792.
- 24 New York City stockbrokers and merchants signed the *Buttonwood Agreement*: unwavering commitment to investors and issuers.
- Members: Nearly 400 of the largest securities firms in America.
- Firms: Service 92 million customer accounts
- Firms: Total assets of \$3.28 trillion.
- Operates from 19,000 branch offices around the world
- Employees 146,000 registered personnel.
- Largest equities marketplace in the world.
- Listed companies: total global market value of approx. \$25 trillion.
- Includes a cross-section of large, midsize and small capitalization companies.
- Non-U.S: approx. 451 companies, valued at \$9.6 trillion.
- Combination of NYSE Group, Inc. and Euronext N.V.
- Launched on April 4, 2007.
- Operates the world ' s largest and most liquid exchange group.
- Offers the most diverse array of financial products and services.
- Brings together six cash equities exchanges in five countries and six derivatives exchanges.
- Is the World leader for listings, trading in cash equities, equity and interest rate derivatives, bonds and the distribution of market data.
- Reflects today's market: NYSE-listed companies account for a substantial portion of the world's economy.
- Are NYSE-listed U.S. companies which represent 75% and 57% of the available market capitalization of all publicly traded companies in the United States and around the world, respectively, as of year-end 2006.

NYSE's proprietary indexes:

- Showcase the strength of companies listed.
- Provide investors and issuers with benchmarks that measures the world's largest marketplace as well as its key segments.

Dow Jones

- Publishes the world's most vital business and financial news and information.
- Since 1882: synonymous with accuracy, integrity and trust.
- Benchmark by which other business- and financial-news organizations measure themselves.
- Develops, maintains and licenses indexes for use as benchmarks and as the basis of investment products.
- Maintains a number of alternative indexes, including measures of the hedge fund and commodity markets.
- Is maintained according to clear, unbiased and systematic methodologies that are fully integrated within index families.

How the NYSE safeguards market integrity?

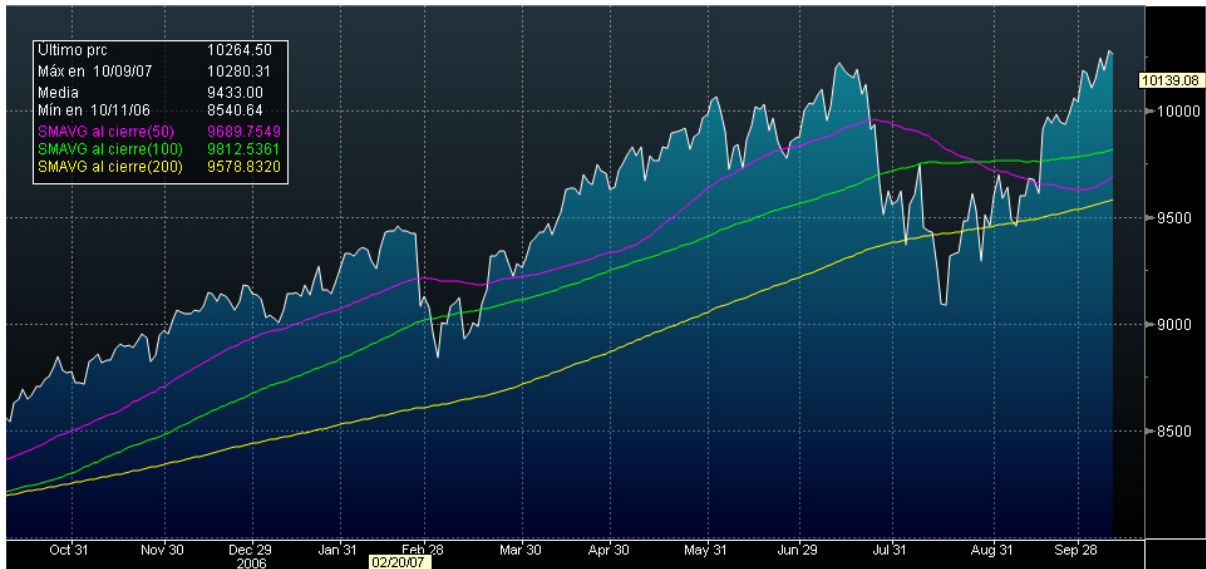
- The U.S. Securities and Exchange Commission (SEC) has designated the NYSE as the examining authority for its members and member firms.

Name	Symbol	\$ Last Trade	Volume	\$ Change	% Change
EMC Corporation	EMC	\$22.57	76,396,525	+0.76	3.48 ^
Owest Communications Intl Inc.	Q	\$8.85	38,219,859	-0.49	5.25 v
Ford Motor Company	F	\$8.23	35,656,875	-0.09	1.08 v
Advanced Micro Devices, Inc.	AMD	\$14.02	32,142,992	+0.23	1.67 ^
Pfizer Inc.	PFE	\$25.54	29,306,989	+0.00	0.00 ^
Citigroup Inc.	C	\$47.14	29,145,153	-0.48	1.01 v
Alcoa, Inc.	AA	\$38.73	27,896,184	-0.99	2.49 v
The Boeing Company	BA	\$98.68	25,305,300	-2.77	2.73 v
Companhia Vale do Rio Doce (CVRD)	RIO	\$34.25	25,165,650	-0.10	0.29 v
Sprint Nextel Corporation	S	\$18.02	20,138,500	-0.26	1.42 v
General Electric Company	GE	\$41.81	19,224,100	-0.21	0.50 v
JPMorgan Chase & Co.	JPM	\$46.91	18,858,500	-0.66	1.39 v
Countrywide Financial Corporation	CFC	\$18.80	18,557,470	-0.46	2.39 v
Exxon Mobil Corporation	XOM	\$93.13	18,339,662	+0.46	0.50 ^
Valero Energy Corporation	VLO	\$74.25	18,330,800	+2.06	2.85 ^
Time Warner Inc.	TWX	\$19.04	17,894,800	-0.08	0.42 v
Home Depot, Inc.	HD	\$33.65	16,501,905	-0.15	0.44 v
Rite Aid Corporation	RAD	\$4.27	16,452,983	-0.18	4.04 v
AT&T Inc.	T	\$41.75	16,263,327	-0.23	0.55 v
Gold Fields Limited	GFI	\$18.23	15,886,600	+0.02	0.11 ^
Wal-Mart Stores, Inc.	WMT	\$45.59	15,829,950	+0.38	0.84 ^
Taiwan Semiconductor Manufacturing Company Ltd.	TSM	\$10.78	15,795,800	+0.08	0.75 ^
Bank of America Corporation	BAC	\$52.30	15,382,687	-0.27	0.51 v
LDK Solar Co., Ltd.	LDK	\$46.86	14,623,233	+2.07	4.62 ^
Merrill Lynch & Co., Inc.	MER	\$74.94	14,523,854	+0.59	0.79 ^
American International Group Inc	AIG	\$68.53	14,409,290	-1.58	2.25 v
Wells Fargo & Co.	WFC	\$36.62	13,995,831	-0.50	1.35 v
Freeport-McMoRan Copper & Gold Inc.	FCX	\$117.40	13,963,300	+4.34	3.84 ^
Yamana Gold Inc.	ALY	\$12.90	13,762,628	+0.77	6.35 ^
Micron Technology Inc.	MU	\$10.71	13,678,300	+0.07	0.66 ^

## PRICE BEHAVIOR: Opening-Closing



## Media Movil



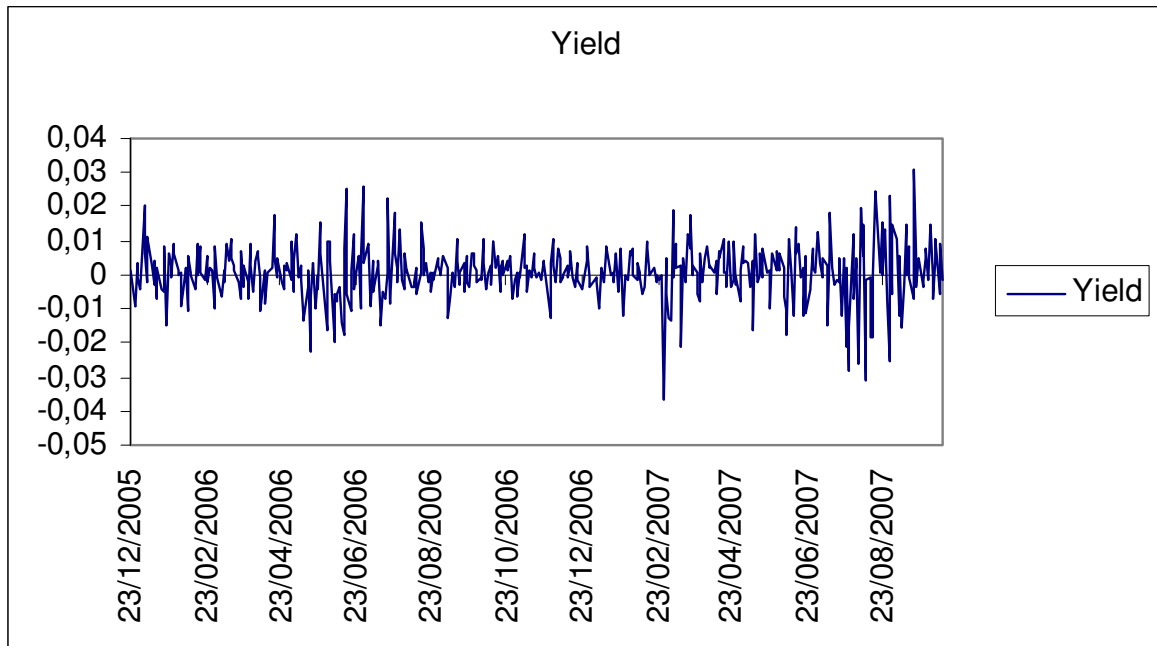
## Candle Light Graph



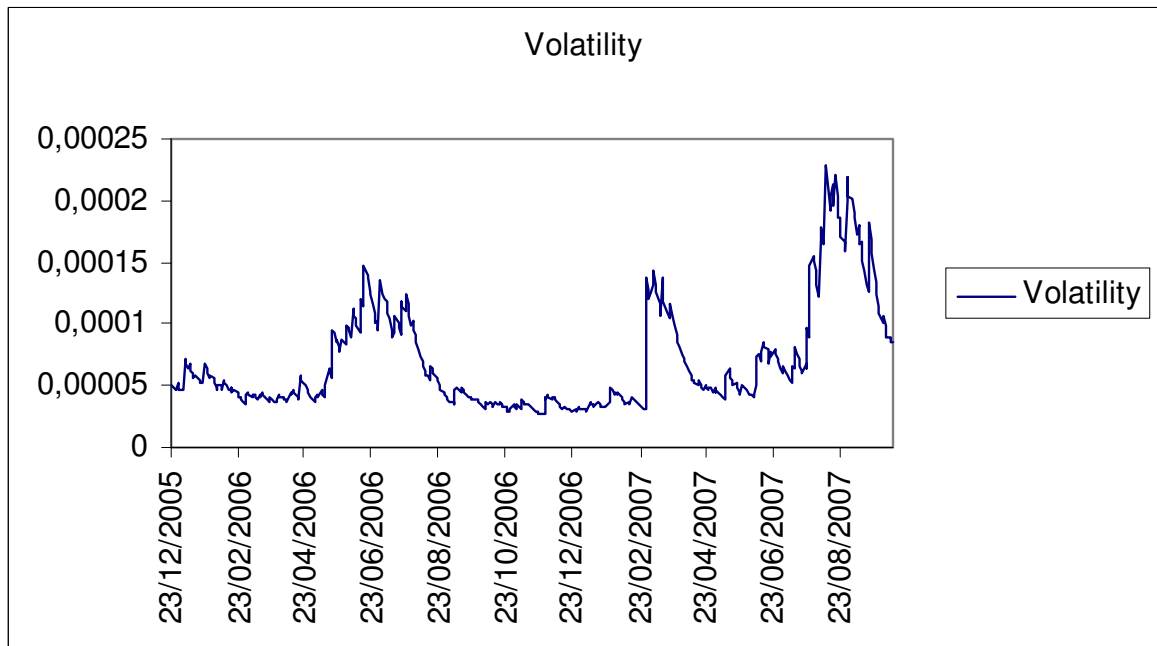
## Zoom of Candle Light Graph



## Yield of NYSE



## Volatility



## CHICAGO EXCHANGE

### Chicago Board Options Exchange

- Is one of the world's largest options exchanges with an annual trade of over 450 million options contracts.
- It covers more than 1200 companies, 50 stock indexes, and 50 exchange-traded funds (ETFs). The exchange was established in 1973.

The S&P 500(ticker SPX)

- Is an index containing the stocks of 500 Large- corporations, most of which are American.
- The index is the most notable of the many indices owned and maintained by Standard & Poor's 500

## **CHICAGO MERCANTILE EXCHANGE**

- (CME or, simply, "**The Merc**") NYSE:CME) is an American financial exchange based in Chicago.
- Originally, the exchange was a not-for-profit organization. The exchange demutualized in November 2000, went public in December 2002.
- CME trades several types of financial instruments: interest rates, equities, currencies, and commodities. It also offers trading in exotic instruments such as weather and real estate derivatives.
- CME has the largest options and future contracts open interest (number of contracts outstanding) of any futures exchange in the world

Chicago Board of Trade

- First known as the Chicago Butter and EGG Board Exchange.
- The concerns of U.S. merchants to ensure that there were buyers and sellers for commodities have resulted into forward contracts to sell and buy commodities
- The CBOT took shape to provide a centralized location, where buyers and sellers may meet and negotiate and formalize forward contracts.

## **Trading Methods**

Trading is conducted in two methods:

- An open outcry format and the CME Globex® electronic trading platform.
- Open Out-Cry

## **CME Globex®**

- Is a trading system that operates at the heart of CME.
- Proposed in 1987, it was introduced in 1992 as the first global electronic trading platform for futures contracts.

- This fully electronic trading system allows market participants to trade from booths at the exchange or while sitting in a home or office thousands of miles away.

### **Open Outcry**

- The open outcry method consists of floor traders standing in a trading pit to call out orders, prices, and quantities of a particular commodity.
- Different colored jackets are worn by the traders to indicate their function on the floor (traders, runners, CME employees, etc.).
- Trades are made in the pits by bidding or offering a price and quantity of contracts, depending on the intention to buy (bid) or sell (offer).
- In addition, complex hand signals (called arb) are used. These hand signals were first used in the 1970s. The pits are areas of the floor that are lowered to facilitate communication, sort of like a miniature amphitheater.

### **Merger**

- On October 17, 2006 the Chicago Mercantile Exchange announced the purchase of the Chicago Board of Trade for \$8 billion in stock, rejoining the two financial institutions as ***CME Group, Inc.***
- CBOT currently uses outsourced technology platforms, but will move to CME's Globex trading system. This will provide much of the merger's anticipated savings.
- The merger will also strengthen the combined group's position in the global derivatives market

## **THE PHILADELPHIA STOCK EXCHANGE PHLX**

### **HISTORY**

- Founded in 1790
- Location: Philadelphia-Pennsylvania
- First securities exchange in the United States
- Merged with:  
Baltimore Stock Exchange (1949)  
Washington Stock Exchange (1954)  
Pittsburgh Stock Exchange (1969).

- FISCAL CRISIS 1968
  - December 1968: City of Philadelphia imposed a \$0.05-per-share stock transfer tax for all transactions on the PHLX.
  - Response to avoid tax: the PHLX moved trading floor to an office building.
  - February: court ruled tax was illegal. (PHLX moved trading floor back to its headquarters in the city).
- October 22 (1981): , trading halted both the Chicago Board of Trade/Philadelphia Stock Exchange after anonymous callers said bombs had been placed in those buildings.
- 2005: Financial firms purchased stakes Exchange (PHLX) as a hedge against growing consolidation of stock trading (NYSE and Nasdaq).

-Collectively own about 45% exchange.

Morgan Stanley, Citigroup, Credit Suisse First Boston, UBS AG, Merrill Lynch and Citadel Investment Group.

## PSE

- Trades more than:
  - 7,000 stocks
  - 2,600 equity options
  - 17 index options
  - and multiple currency pairs (options and futures).
- Currency options: Standardized contracts for specified amounts of one currency against another, and with specified expiry dates
- PHLX's Gold/Silver Sector<sup>SM</sup> (**XAUSM**) is the most actively traded.
- PHLX's Oil Service Sector<sup>SM</sup> (**OSXSM**)
- Semiconductor Sector<sup>SM</sup> (**SOXSM**)
- KBW Bank Index (**BKXSM**)
- Utility Sector<sup>SM</sup> (**UTYSM**)
- Leader in the development and introduction of innovative new products and services.
- Largest market for traded currency options.

**XAU SM:** Gold silver mining industry

- **OSX SM:** Oil Service Sector
- **SOX SM:** Semiconductor sector
- **BKX SM:** Bank Index
- **UTY SM:** Utility Sector



## Currency Options traded PSE

- Equity Options
- Flex Options
- Physically Settled Currency Options
- Standardized Currency Options
- Customized Physically Settled Currency Options

### *Against the dollar*

<b>Currency</b>	<b>Ticker symbol</b>		<b>Contract</b>	<b>Premium</b>
	<b>American</b>	<b>European</b>		
Sterling	XBP	CBP	£31,250	Cents per unit
Australian dollars	XAD	CAD	A\$50,000	Cents per unit
Canadian dollars	XCD	CCD	C\$50,000	Cents per unit
Deutschemarks	XDM	CDM	DM62,500	Cents per unit
French francs	XFF	CFE	F250,000	Tenths of a cent per unit
Yen	XJY	CJY	¥6,250,000	Hundredths of a cent per unit
Swiss francs	XSF	CSF	SFr62,500	Cents per unit
Euro	XEU	ECU	€62,500	Cents per unit

### *Cross-Rate options*

Deutschemarks/Yen	-	MYX	DM62,500	In yen
Sterling/Deutschemarks	-	PMX	£31,250	In DM
Sterling/Yen	-	PIX	£31,250	In yen

## NATIONAL ASSOCIATION OF SECURITY DEALERS AUTOMATIC QUOTATION NASDAQ

- Founded in 1971 by the National Association of Securities Dealers.
- Owned and operated by The Nasdaq Stock Market, Inc.
- The world's first electronic stock market.
- The largest electronic screen-based equity securities market in the United States.
- NASDAQ was the successor to the Over the Counter (OTC) system of trading.

## BUSSINESS

- Approximately two out of every seven shares traded on the American financial markets are traded on the system
  - Has approximately 3,200 companies.
- On average trades more shares per day than any other U.S. market.
- Capture 47% of the controlling stake in the aforementioned exchange.

- NASDAQ allows *multiple market participants* to trade through its Electronic Communication Networks (ECNs) structure, increasing competition
- Approximately two out of every seven shares traded on the American financial markets are traded on the system.
- Helped to lower the spread.
- Allows multiple market participants to trade through its Electronic Communication Networks (ECNs) structure, increasing competition.

## INDEXES

- NASDAQ Composite: technology companies and growth companies
- NASDAQ-100: largest domestic and international non-financial companies
- NASDAQ Biotechnology: Biotechnology or Pharmaceuticals
- Computerized information network provides brokers and dealers with price quotations on securities traded over-the-counter.

(electronic subscriptions)

- Three levels:

-Level I displays a security's highest bid and lowest offer in the system.

-Level II displays market maker's quotes for securities in which they make a market.

-Level III allows market makers to actually enter their quotes into the system

## REFERENCES

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