What you need to know about **Stock Markets**

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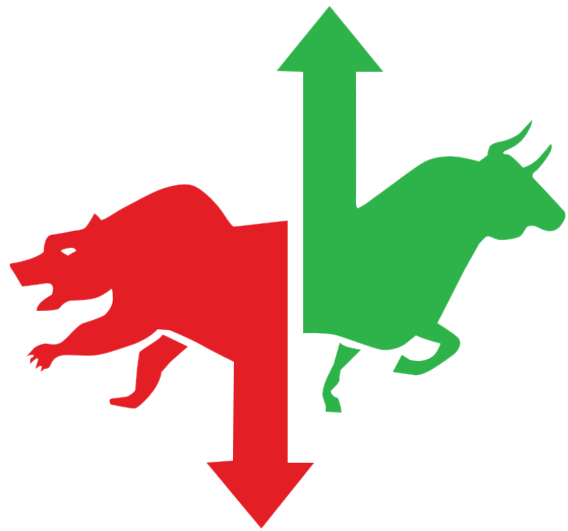


The stock market is an everyday term we use to talk about a place where stocks and bonds are bought and sold. The goal is to buy the stock, hold it for a time, and then sell the stock for more than you paid for it. The stock market can be split into two main sections: the primary market and the secondary market.

The primary market is where securities are issued. It's in this market that firms sell new stocks and bonds to the public for the first time.

The secondary market is where investors purchase the newly issued securities in the primary market without the issuing companies' involvement. This Market is also known as "The stock exchange Market", where sellers and buyers trade stocks and bonds.

Important Note

If you're considering investing in stocks or bonds, you need a basic understanding of how the financial markets work. You also need to consider your investment goals, strategies, the risks and returns that are acceptable to your personal finances.

Investing in stocks vs. investing in bonds

- **Investing in stocks**

A share of stock is a share in the ownership of a company. When you buy a share of stock, you own a small fraction of the assets and earnings of that company. Assets include everything the company owns (buildings, equipment, trademarks), and earnings are all of the money the company brings in from selling its products and services.The benefit of owning a stock in a corporation is that whenever the corporation profits, you profit as well.

- **Investing in bonds**

When you buy a bond, you are essentially lending money to this entity for the promise of repayment in addition to a specified annual return. Bonds generally offer stability and predictability well beyond that of most other investments, because you are receiving a steady stream of income, you are guaranteed the return of your money (the principal) along with promised interest payments.

Stock market index

A stock market index is a number that measures the relative value of a group of stocks. As the stocks in this group change value, the index also changes value. If an index goes up by 1% then that means the total value of the securities which make up the index have gone up by 1% in value.

An Example to understand the stock market index

The ABC index is made up of four companies. As of the end of yesterday's trading day the ABC index was set at 4,123 points. Today, two of the companies went up in value, one company dropped in price and the fourth company stayed the same – the total value of those stocks went up by 2% so the ABC index is now 2% higher or 4205 points.

The Egyptian exchange (EGX)

The securities market in Egypt dates back to the 19th century, in 1883 when Alexandria Exchange was established, followed by Cairo Exchange in 1903, which is currently called the Egyptian Exchange.

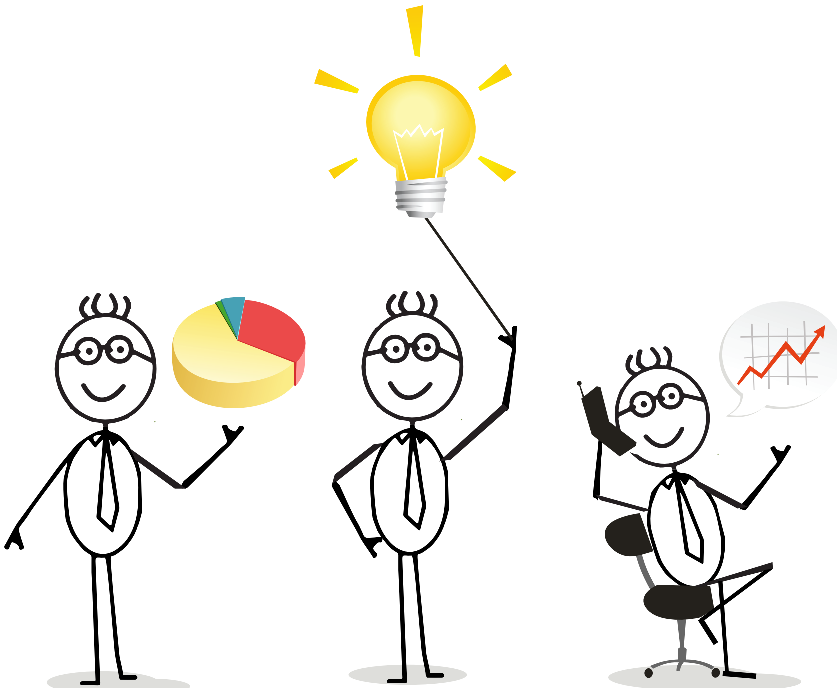
The Egyptian exchange indexes

- **EGX 30 Index**
  The EGX 30 Index is a major stock market index in the Egyptian stock Market, which tracks the performance of 30 most liquid stocks traded on the Egyptian Exchange; it includes the top 30 companies in terms of liquidity and activity.

- **EGX 70 Index**
  The index tracks the performance of the 70 active companies in terms of liquidity and activity, after excluding the 30 most active constituent-companies of EGX 30 Index.

- **EGX 100 Index**

  The index tracks the performance of the 100 active companies, including both the 30 constituent-companies of EGX 30 Index and the 70 constituent-companies of EGX 70 Index.



Nilex

Nilex is the Egyptian Exchange' market for growing medium and small companies.
The Market provides medium and small fast growing businesses, including family-owned businesses, from any country and any industry sector, a clear access to capital and the benefits of being traded.

Checking Important Company Fundamentals before Investing in a Stock

Before you buy stocks, you have to do a little research on the companies you are thinking of investing in. Pay attention to the following key components when you look at a company's main financial statements (the income statement and the balance sheet):

- **Earnings:** This number should be at least 10 percent higher than the year before.

- **Sales:** This number should be higher than the year before.

- **Debt:** This number should be lower than or about the same as the year before. It should also be lower than the company's assets.

- **Equity:** This number should be higher than the year before.

The golden rules to help you maximize your success and minimize your potential losses:

- Invest in stocks of profitable companies that sell goods and services that a growing number of people want. The primary reason you invest in a stock is because the company is making a profit and you want to participate in its long-term success.
- Keep informed every day about your portfolio, the financial markets, and the general economy will keep you from the fear and anxiety that come from the unknown and the surprises that are inevitable.
- Do not commit all your cash at once: You should consider realistically your financial status (sources of income and expense) before buying stocks, and try to keep some cash on hand to face any unexpected expenses. A stock should never be 100 percent of your assets. Trading should only be done with risk capital (money that, if lost, does not hurt your lifestyle).
- You must diversify your portfolio by buying multiple shares from different sectors. The primary goal of diversifying the investment is to reduce the risk ratio.

- Find out which events move markets: Research the market and discover what types of events tend to move it. Keep informed by regularly reading financial publications and websites. A stock's price is dependent on the company, which in turn is dependent on its environment, which includes its customer base, its industry, the general economy, and the political climate.
- Check the stock's trading history: Charts and related data tell you how a particular stock has moved in recent weeks, months, and years.
- Use patience instead of panic: Instead of joining the crowd, watch them to give you an advantage in assessing a stock's price movements. Stick with your plan and use discipline and patience.
- Know the limits of your investment risks and then take your decision.
- Even if your philosophy is to buy and hold for the long term, continue to monitor your stocks and consider selling them if they are not appreciating or if general economic conditions have changed.

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