



ESL Podcast 276 – The Stock Market

GLOSSARY

stock market – the stock exchange; the buying and selling of stocks or shares (small parts in the ownership of a public company)

* Dora decided to enter the stock market by buying stock in three large computer companies.

NASDAQ – National Association of Securities Dealers Automated Quotations system; a popular stock market in the United States

* NASDAQ helps people buy and sell shares in more than 3,000 companies.

Dow – the Dow Jones Industrial Average; an average of the value of 30 popular stocks that helps people understand how strong or weak the market is

* The Dow has been up and down all day, but I think it will end up for the day.

portfolio – the combination of different stocks, bonds, and other investments that a person has

* Sharon decided that her portfolio was too concentrated in communication technology, so she is going to buy some shares in agricultural and transportation companies.

stock option – an opportunity given to an employee to purchase stock in the company at a given price in the future, so that if the actual market price at that time is higher than that price, the employee will make money

* If the company can't offer you any more money, you should ask if it will give you stock options as part of your compensation for working there.

bond market – the buying and selling of bonds, which are pieces of paper that promise that the government or another organization will pay back the money it borrowed with interest

* You can't make as much money in the bond market, but it is less risky than the stock market right now.

derivative – a written agreement between two people or businesses, where the value of the agreement is based on other stocks, bonds, currencies, or other assets (things that are worth money)

* Investing in derivatives is more risky than investing in stocks and bonds, so usually only professionals invest in them.

shares – the portion of ownership in a public company that can be bought and sold in the stock market

* How many shares do you own in General Electric?



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nosedive – a dramatic decrease; a large, sudden fall; a quick and significant drop-off in something

* The company's sales took a nosedive last month, dropping from \$100 million to only \$80 million.

stockbroker – a person whose job is to buy and sell stocks (or shares) for other people

* Their stockbroker recommended buying more international stocks, especially in Asian companies.

diversified – involving many different types of things, especially different types of stocks or shares in different industries

* The Watkins have highly diversified investments, with shares in all industries all over the world.

security – a stock, bond, or derivative

* What kinds of securities do you invest in?

to invest – to give money to a project or company to help it grow, because one expects to make money as a result

* Before you invest in a company, you need to learn as much as you can about its past performance and its plans for the future.

return – yield; interest rate; the amount of money (usually stated as a percentage) earned by making an investment

* The company expected a 26% return last year, but the high price of oil made their actual return only 11%.

bear/bull market – a period of time when people expect that share prices will decrease (bear market) or increase (bull market)

* During a bear market, people want to sell shares because they think that prices will fall, but during a bull market they want to buy shares because they think prices will rise.

to rebound – to recover; to improve and return to what something was before

* The heavy rains ruined the wheat fields last year, but the farmers have rebounded this year, growing more wheat than ever before.

to panic – to do something without first thinking about it carefully, usually because one is scared or under stress

* When Cathy's car slipped on the ice, she panicked and tried to stop quickly, which made the problem worse.



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COMPREHENSION QUESTIONS

1. What does Paul mean when he says that the companies took a nosedive?
 - a) He means that the price of the shares fell very quickly.
 - b) He means that the companies got their noses wet.
 - c) He means that he invested in diving companies.

2. Why did Paul decide not to have a stockbroker?
 - a) Because he can't tell the difference between bull and bear markets.
 - b) Because he thought he could make more money on his own.
 - c) Because the NASDAQ and Dow are down many points.

WHAT ELSE DOES IT MEAN?

portfolio

The word “portfolio,” in this podcast, means the combination of different stocks, bonds, and other investments that a person has: “How often do you review your portfolio with your stockbroker?” A “portfolio” can also be samples of an artist’s work: “The painter’s portfolio includes landscapes and portraits.” Or, “The sculptor takes photographs of all her sculptures so that she can put them in her portfolio.” For a professional model, a “portfolio” is a collection of photographs that show his or her beauty: “All the models were asked to bring their portfolio to the interview.” Finally, sometimes a “portfolio” is a briefcase, or the small container that is used to hold business papers or samples of one’s work: “Oh no! I accidentally left my portfolio in the taxi.”

share

In this podcast, the word “share” means a stock or partial ownership of a public company that can be bought and sold in the stock market: “I wish I had bought shares in Microsoft years ago, because today they’re worth a lot of money!” A “share” is also one part of something that is being divided among two or more people: “How much is my share of the restaurant bill?” The verb “to share” means to divide the use of something between two people so that they can both use it: “Children sometimes have difficulty learning to share their toys.” Or, “The sisters are the same height and weight, so they often share their clothes with one another.” The verb “to share” can also mean to have the same opinions, thoughts, or feelings as someone else does: “I don’t agree with you, but I think Lydia shares your opinion.”



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CULTURE NOTE

In the United States, many people invest their money in the stock market. Two very popular and well known stock markets are NASDAQ and NYSE.

NASDAQ was “founded” (created) in 1971 and was originally known as the National Association of Securities Dealers Automated Quotations system. NASDAQ is based in New York City. Compared to other U.S. stock markets, NASDAQ lets people buy and sell shares in the most companies – approximately 3,200 companies are in NASDAQ. NASDAQ also has more “trades” (the buying/selling of one share) per day on average than any other U.S. stock market. Approximately two of every seven trades in the U.S. stock markets are done through NASDAQ.

NYSE is the New York Stock Exchange, and like NASDAQ, it is based in New York City. It is sometimes called the “Big Board.” It has a greater “dollar volume” (the amount of money that flows through its transactions in a day) than any other stock exchange in the world. Its “global capitalization,” or what it is worth worldwide, was \$23 trillion in late 2006.

NASDAQ and NYSE “trade” (buy and sell shares) in very different ways. NASDAQ is now “entirely” (completely) electronic. Stockbrokers can buy and sell stocks by using their computers and they don’t need to come to the NASDAQ offices.

In contrast, NYSE “relies” (depends) on “face-to-face interaction,” meaning that people must be in the same room and speak with each other directly. NYSE trades are made through an “auction,” where people shout information about what shares are available for sale and the stockbrokers make “bids” (offers) of how much money they’re willing to pay, to buy the shares. The “highest bidder,” or the person who is willing to pay the most money, wins.

Comprehension Questions Correct Answers: 1 – a; 2 – b



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COMPLETE TRANSCRIPT

Welcome to English as a Second Language Podcast number 276: The Stock Market.

This is English as a Second Language Podcast episode 276. I'm your host, Dr. Jeff McQuillan, coming to you from the Center for Educational Development in beautiful Los Angeles, California.

Remember to visit our website at eslpod.com and download the Learning Guide for this episode. The Learning Guide contains all of the vocabulary, definitions, sample sentences, additional definitions not found on the podcast, cultural notes, and a complete transcript of this episode.

We're going to be talking in this episode about the stock market, where people buy and sell stocks, which are, basically, a small percentage of the company that you own. We're going to listen to a conversation between Paul and Heather that uses some of the common vocabulary you would read about or hear about when talking about the stock market. Let's get started.

[start of story]

Heather: What's the matter? You look terrible.

Paul: Haven't you seen the paper? The stock market went down a lot yesterday. The NASDAQ is down 100 points and the Dow is down 30! My portfolio is in big trouble.

Heather: I knew you had some stock options in this company, but I didn't know you were so heavily invested in the market.

Paul: I'm invested in the bond market, in derivatives, and I have shares in a lot of companies that took a nosedive yesterday.

Heather: I'm sure you have a good stockbroker who has made sure that your portfolio is diversified and you have different kinds of securities.

Paul: That's my problem. I don't have a stockbroker. I decided to invest on my own and to go for less secure stocks hoping for a better return. I thought I could tell the difference between a bear and a bull market as well as the brokers. I guess I was wrong.



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Heather: The drop in stock prices won't last. I'm sure the market will rebound. Just don't panic and sell everything. The old saying, "buy low, sell high," is still a good idea, I think.

Paul: I know, I know. I won't do anything stupid – that is, I won't do anything even more stupid. I'll wait to see what happens before taking any action.

Heather: That's a good idea. Come on. I'll buy you lunch.

Paul: Thanks. Now that I'm poor, I won't say "no" to your charity.

[end of story]

Our dialogue begins with Heather asking Paul, "What's the matter," meaning what's the problem. She says, "You look terrible." This is what people say to me all the time: "Jeff, you look terrible." You look bad, like you have a problem.

Paul says, "Haven't you seen the paper?" When you ask someone "haven't you seen something," or, "haven't you heard something," you are expressing surprise with your question. You're saying I'm surprised that you have not seen the paper and that you don't know some piece of information. In this case, the piece of information that Paul is referring to is the stock market going down yesterday.

The stock market is sometimes called the "stock exchange" (exchange). It's the place where you can buy and sell stocks. Stocks are sometimes called "shares" (shares). It's the same as stocks; it's essentially having a small part of the company – owning a small percentage of the company.

Paul says that the NASDAQ is down 100 points and the Dow is down 30. The NASDAQ, which is spelled in all capital letters (NASDAQ), stands for the National Association – or group – of Securities Dealers Automated Quotations. You don't need to know what all those words mean; you just need to know that it is a popular stock market in the United States, one that has a lot of technical and computer stocks on it, for example. It's called the "NASDAQ." The NASDAQ is one place where you can buy and sell stocks. It's located in New York. Of course, you don't have to be in New York, you can use your computer or make a phone call to buy and sell stocks on the stock market.

The other big stock market is called the "New York Stock Exchange," and on the New York Stock Exchange you can tell if the stocks are generally going up or generally going down by looking at something that's called the "Dow," which is D-o-w. That's short for the Dow Jones Industrial Average. Dow Jones is the



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name of a publishing company, and they take the price of 30 very popular stocks and they tell you whether they're generally going up or generally going down. It's what we call an "index" (index). An "index" is an indication of something. In this case, it's an indication of whether the stock market is going up or going down.

Notice Paul says that the NASDAQ is down 100 points and the Dow is down 30 points. Both the NASDAQ and New York Stock Exchange use "numerical," or number, indications of how good the stock market is or bad it is, and those numbers are called "points."

Paul says, "My portfolio is in big trouble." Your "portfolio" (portfolio) is another word for your investments. You could be invested in stocks; you could have other investments: you could own land; you could own different kinds of financial investments. All of them together would be called your "portfolio." This word "portfolio" has a few other meanings in English as well; take a look at our Learning Guide for this episode for more explanations.

Heather says to Paul, "I knew you had some stock options in this company, but I didn't know you were so heavily invested in the market." "Stock options" are opportunities that the company you work for gives you to buy stocks in the future at a certain price. This is one of the things that companies, especially a lot of tech companies – technology companies, will give to their employees, and it is a way of making money through buying the company's stock, so they're called "stock options." It's an option, or an opportunity, to buy the stock in the future at a certain price. Usually, if the price of the option is lower than the actual price, you can make money this way.

Paul says, "I'm invested in the bond market, in derivatives, and I have shares in a lot of companies that took a nosedive yesterday." Couple of important terms here: the first is the "bond (bond) market." We've talked about the stock market as a place where you buy and sell "shares," or stocks, in a company. The "bond market" is where you buy and sell "bonds," which are promises that the government or another organization will pay back money it has borrowed with interest. And what that means is, let's say, the U.S. Government want to borrow a billion dollars, well, it would sell bonds and people would buy these bonds, they would get their billion dollars, and then they would give the money back to people who bought the bonds – in the future, they would give them their money back plus they would give them some additional money, what we would call "interest." And that's what the bond market is all about, buying in selling these agreements from the government or from other companies to give you your money back plus more money, or "interest."



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“Derivatives” are a little bit more difficult to explain. These are agreements between two people or businesses, where the value or price of the agreement is based upon other stocks or bonds, or other things that are worth money. The word “derivative” means to come from something else. So, this is a special kind of investment that is based on other investments.

“Shares,” we’ve already talked about, is just another name for stocks. So when Paul says, “I have shares in a lot of companies,” he means “I own stock in a lot of different companies.” These shares took a nosedive. A “nosedive” (nosedive – one word) means a sudden decrease; when something goes down very quickly and significantly. It goes down a lot; that would be a “nosedive.” You could say, “The amount of money our company made last month took a nosedive” – it went down a lot.

Heather says, “I’m sure you,” Paul, “have a good stockbroker who has made sure that your portfolio is diversified and you have different kinds of securities.” A “stockbroker” is a person who buys and sells stocks for other people. When Heather says, “I’m sure you have a good stockbroker,” she means a person that Paul works with that will help him buy and sell his stocks.

Heather thinks that Paul’s stockbroker has made sure that his portfolio is diversified. When we say something is “diversified” (diversified), we mean it is involving many different types of things, in this case, many different kinds of stocks from different kinds of companies. Some of the companies may be in technology; some of the companies may be in oil and energy. “To have a diversified portfolio” is to have investments that are in different companies – different kinds of companies. Heather also uses the word “securities.” A “security” is just another name for a stock, a bond, or a derivative – a type of investment.

Paul says that he does not have a stockbroker, that he decided to invest on his own. “To invest,” as a verb, means to give money to a company to buy their stock, or to give money to a company in hopes that you will make more money. Paul says that he went for less secure stocks, meaning stocks that were more risky – stocks that could go up a lot, but also go down a lot. He did this hoping for a better return. A “return,” sometimes called a “return on investment,” is the money you hope to get back – the money you get back from your investment. So, if you invest \$10,000, and you get back \$12,000, the return on your investment was 20% – \$2,000.

Paul says that he thought he could tell the difference between a bear and a bull market. The words “bear” (bear) and “bull” (bull) indicate different types of



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animals, but we use them in talking about the stock market to describe whether the market is going up or the market is going down – if the prices are going up or stock prices are going down. A “bear market” is when the stock market is going down; a “bull market” is when the stock market is going up. I’m not sure why we use the animals bear and bull to describe the stock market, but it is very common to see that in the newspaper in describing the stock market.

Heather says that she is sure the stock market will rebound. “To rebound,” here, means to recover; to improve; to get better; to go back to where it was before. She tells Paul not to panic (panic). “To panic” is to do something without thinking about it carefully, usually because you are scared.

Paul says that he will not panic, and Heather invites Paul to lunch. Paul says, “Thanks. Now that I’m poor, I won’t say ‘no’ to your charity.” “Charity” (charity) is when someone helps someone else; someone give you money, for example. We usually uses word and talking about helping poor people or people who need money.

Now let’s listen to the dialogue, this time at a normal speed.

[start of story]

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Heather: That's a good idea. Come on. I'll buy you lunch.

Paul: Thanks. Now that I'm poor, I won't say "no" to your charity.

[end of story]

The script for this dialogue was written by Dr. Lucy Tse.

From Los Angeles, California, I'm Jeff McQuillan. Thanks for listening. We'll see you next time on ESL Podcast.

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