

What affects share prices?

You may have noticed by now that the price of a share at the close of the day isn't necessarily the price those shares open at, the next day.

Why is this?

First, there is a final processing of orders at the end of the day. The main hours of the market are between 10am and 4pm; however there is a closing price auction at the end of the day between 4pm and 4.12pm where orders may still be processed.

Game tip 1: *If you are **placing an order at the end of the day**... it would be best to do this after 4.12 pm.*

Then from the time the market closes to the opening the following day there will have been trading on overseas markets, political and economic news may be announced and people may also be revising their investment views. Any or all of these factors can cause a change in people's assessment of what is a fair price for a share.

Every morning before the market opens, there is an opening auction prior to market open (no trades are processed during this time) where revised or new bids & offers* are entered – this may also affect a share price at the open.

Another thing that may affect the share price is if a share goes ex-dividend. More often than not the price of a share will fall by approximately the dividend amount when the share goes ex-dividend.

Game tip 2: *If you **place an order before the market opens**, it is safer to use a 'limit' order, because, if you enter an order based on the previous day's prices, as mentioned above, the share won't necessarily open at this price the next day. If there is a sudden move up or down and you have a 'market to limit' order in place, you could end up buying or selling the shares for more or less than you intended.*

What else can have an impact on share prices?

The economy: Alongside the impact of global markets, a range of economic factors within Australia can also affect share prices, for example, the overall health of the economy, the level of unemployment and interest rates etc.

Supply and demand: The sharemarket is a market place like any other. The more people want to get hold of a particular product or in this case a particular share, the higher its price will go. If people no longer want a share, those looking to sell may have to offer it at a lower price in order to sell.

Company announcements: One of the most important factors affecting the price of a share is the company's future earnings. Any changes to the forecast in earnings, either by company management or by market analysts, may impact the share price.

Keeping up to date with company announcements is important.

Game tip 3: *If there is an asterisk beside a company code, this means there is a company announcement - click on the asterisk and this will take you to the announcement.*

Other factors: Natural disasters such as floods or earthquakes or other disasters can have a significant impact on the sharemarket. Often however, these are simply reactions to the unexpected news and the market or shares affected can recover in a very short period of time. It's helpful not to react to news like this and to take a long term look at your shares rather than a short term panic reaction.

What is the Bid and Offer?*

A bid is the price that a buyer is willing to purchase the stock at and **the offer** is the price that the seller is offering to sell at. All of the bids and offers are put into the system and when there is a match, between a buy order (bid) and a sell order (offer) the trade takes place. Bids and offers will change depending on what is happening globally, in the market or in that company.

We hope this gives you a better understanding as to why share prices move.

Important reminder

To be eligible for prizes - one buy transaction must have been completed by 27 September, plus you must have purchased shares in at least 4 different companies over the Game period.

Happy learning

