

Name _____

Understanding Stock Prices: How They're Determined

Short Answer Key

1. Stock prices are influenced by supply and demand dynamics. When demand exceeds supply, prices tend to rise, and when supply exceeds demand, prices tend to fall.
2. The bid price is the highest price at which someone is willing to buy the stock, and the ask price is the lowest price at which someone is willing to sell. The stock's current price typically falls between these two prices.
3. Market sentiment refers to the collective feelings and attitudes of investors. Positive sentiment can drive stock prices up, while negative sentiment can push them down.
4. An example of an economic factor that can influence stock prices is changes in interest rates set by central banks.
5. Market volatility can lead to rapid and unpredictable price changes. Investors should be aware of the potential for larger price swings and adjust their strategies accordingly.

