

Introduction to the course: Basics of **Demand** and **Supply**



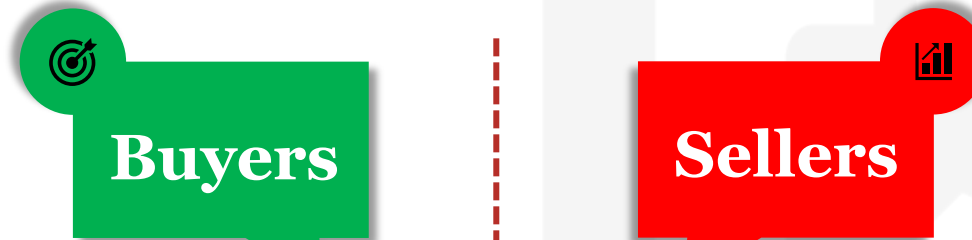
Introduction outline

1. Basics of **Demand (Buyers)** and **Supply (Sellers)**.
2. Balanced **Demand** and **Supply** and the market price moves.
3. Imbalanced **Demand** and **Supply** and the market price moves.

Definition of the Demand and Supply

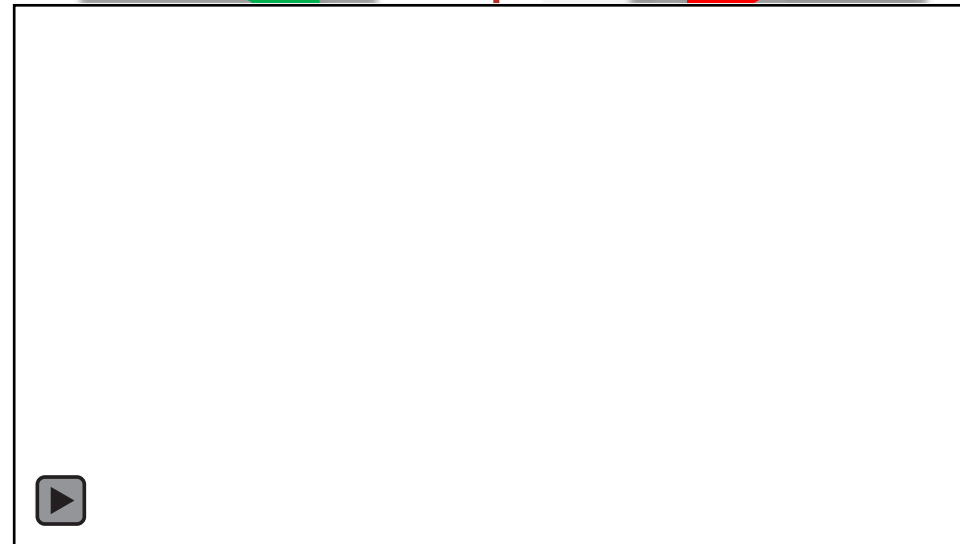
Two major players need to be present at the same time in the stock market:

- 1) interested **buyer(s)** that desire(s) to own ***certain number of shares of a stock at a certain price.***
- 2) interested **seller(s)** that desire(s) to transfer the ownership of ***certain number of shares of a stock at a certain price.***



The amount of shares that interested **buyers** desire to buy at certain price level will define the **strength** of the **Demand**.

The amount of shares that interested **sellers** desire to sell at certain price level will define the **strength** of the **Supply**.

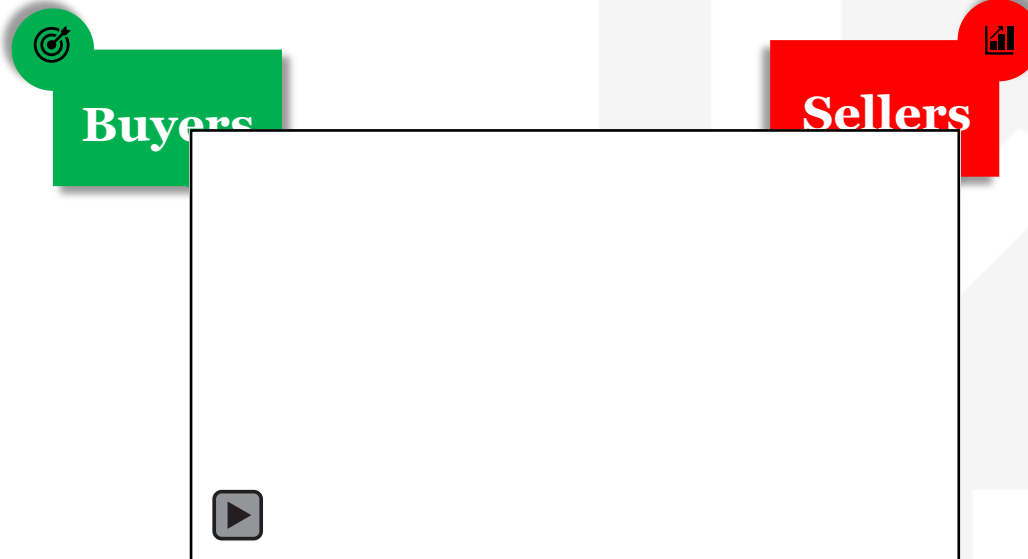


Buyers = Demand

Sellers = Supply

When does the price of shares of a stock move?

When **buyer(s)** and **seller(s)** come to an **agreement** on the acceptable price of shares to both parties - **price will move!**

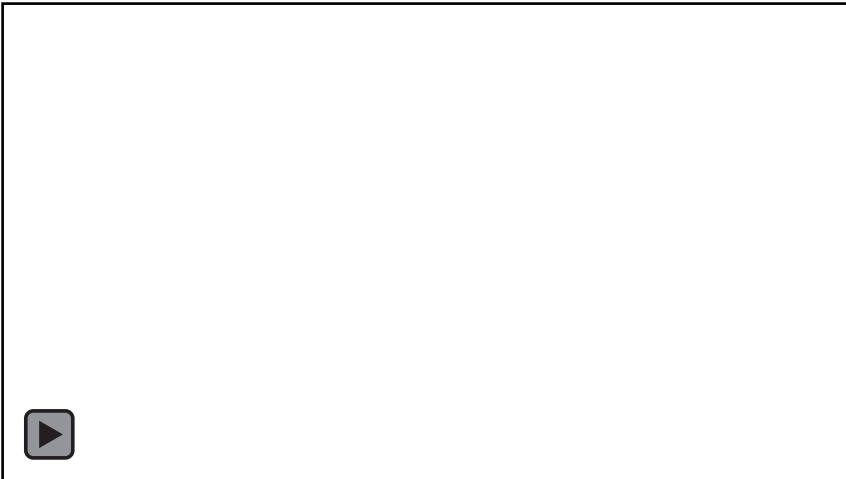


When **buyer(s)** and **seller(s)** come to an **agreement** - a **transaction** will occur in the stock market.

All transactions in the stock market are recorded and available to the public.

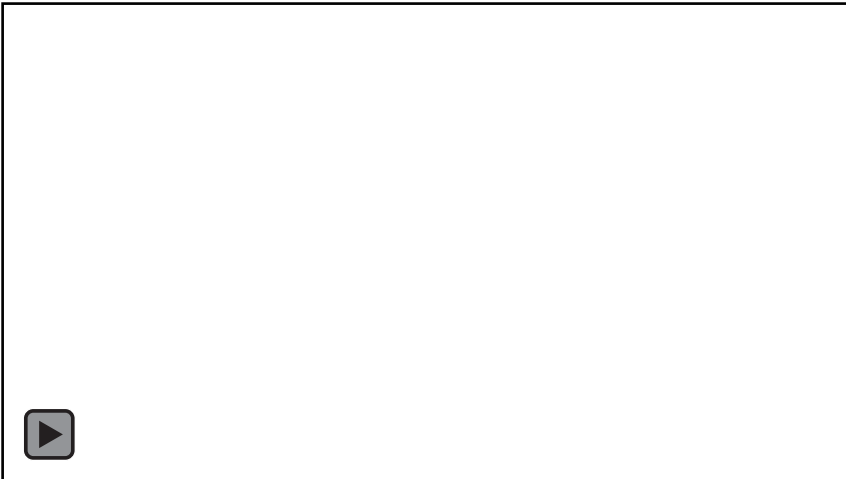
When is the price of shares of a stock NOT moving?

When there is **lack of interest** by either **buyer(s)** or **seller(s)**, **price does not move!**

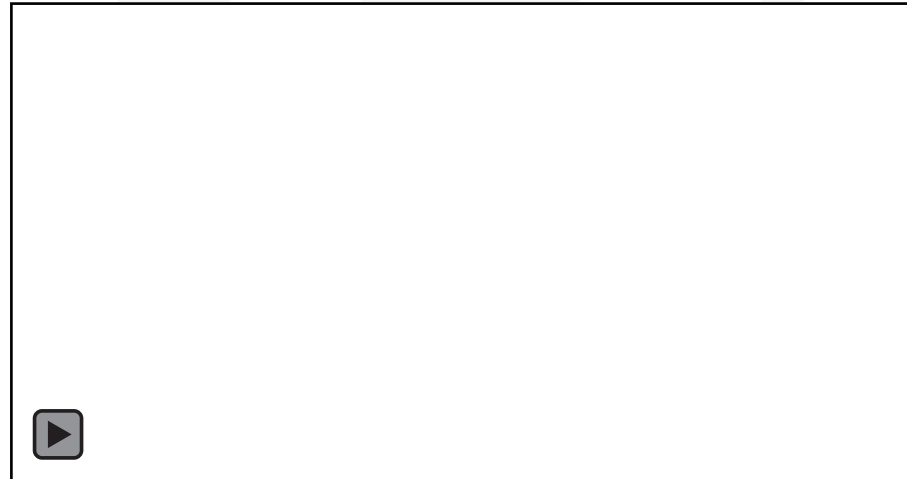


When is the price of shares of a stock NOT moving?

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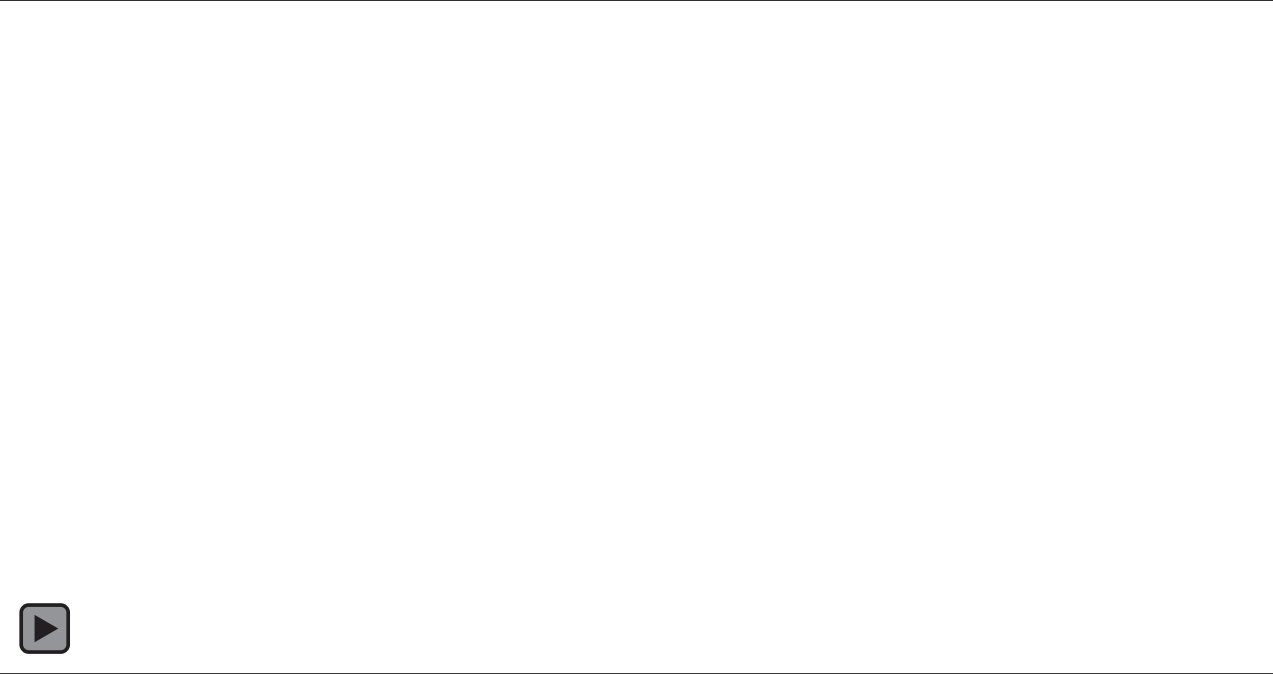
When there is **no deal** or **disagreement** between **buyer(s)** and **seller(s)**, **price does not move!**



These scenarios represent simultaneous **lack of strength** of both **Demand** and **Supply!**

When is the price of shares of a stock NOT moving?

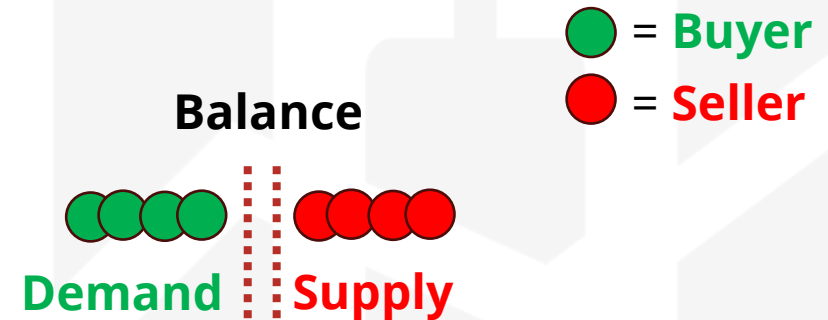
When **strength** of **buyer(s)** (**Demand**) for the desired **amount of shares of a stock** meets the **strength** of **seller(s)** (**Supply**) offering the same **amount of shares at same price**, then we say that a "**BALANCE**" was created in the market price move.



*When the **BALANCE** between **Demand** and **Supply** is present in the market, at that moment in time - the price **will not move** or it will **move just a little bit** up or down.*

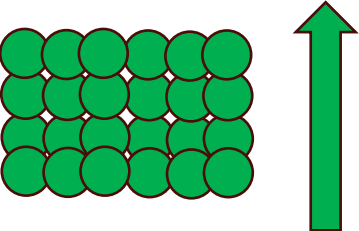

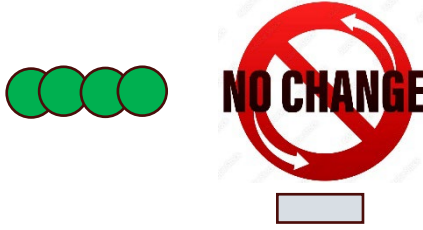
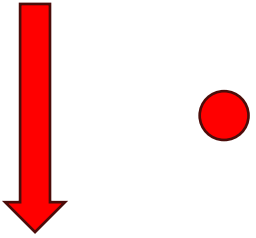
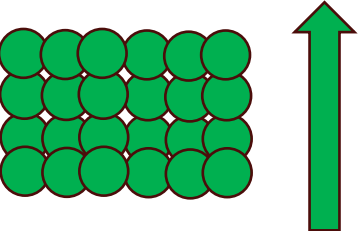
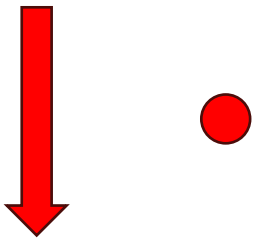
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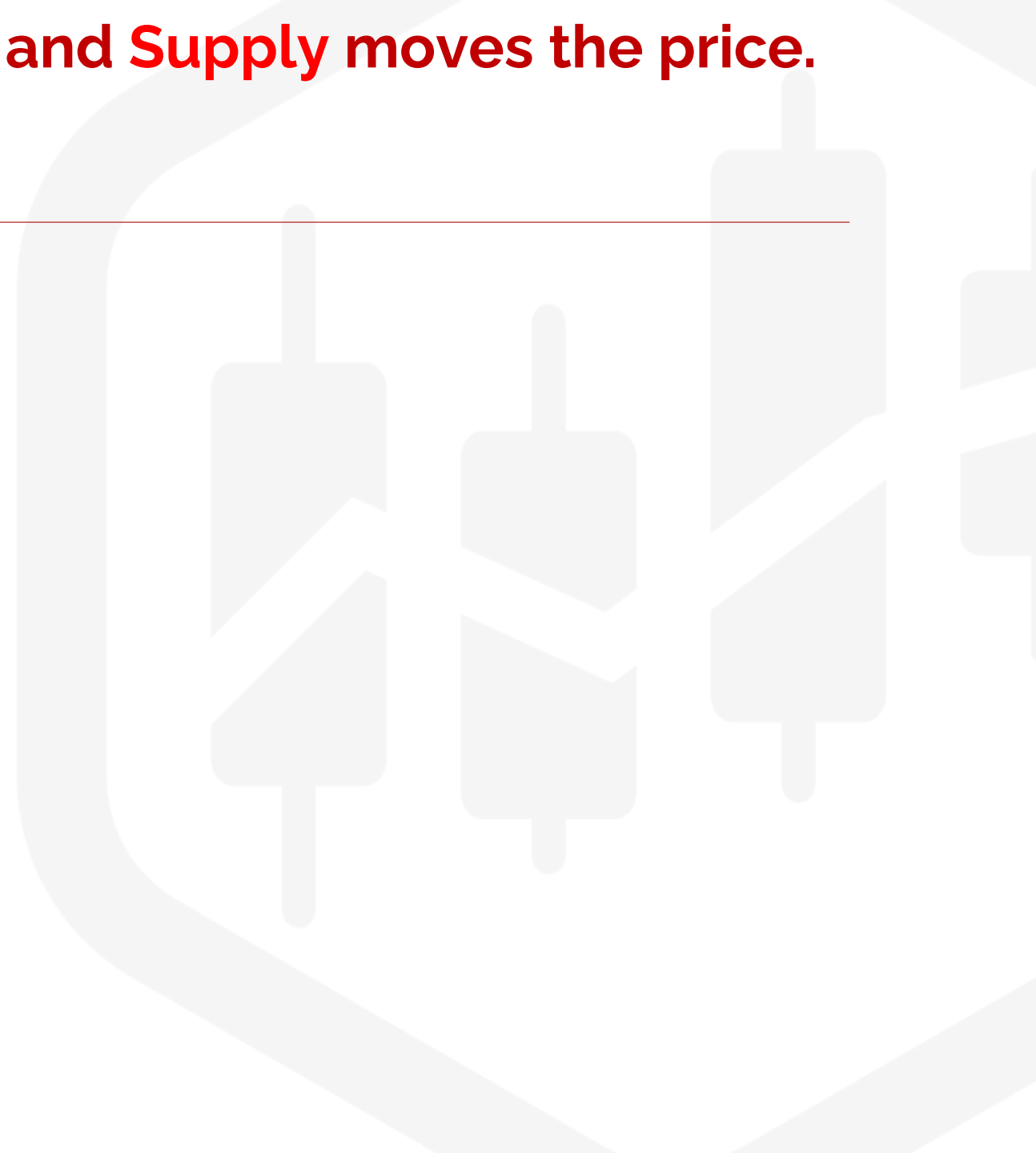
When **strength** of **buyer(s)** (**Demand**) for the desired **amount of shares of a stock** meets the **strength** of **seller(s)** (**Supply**) offering the same **amount of shares at same price**, then we say that a **"BALANCE"** was created in the market price move.



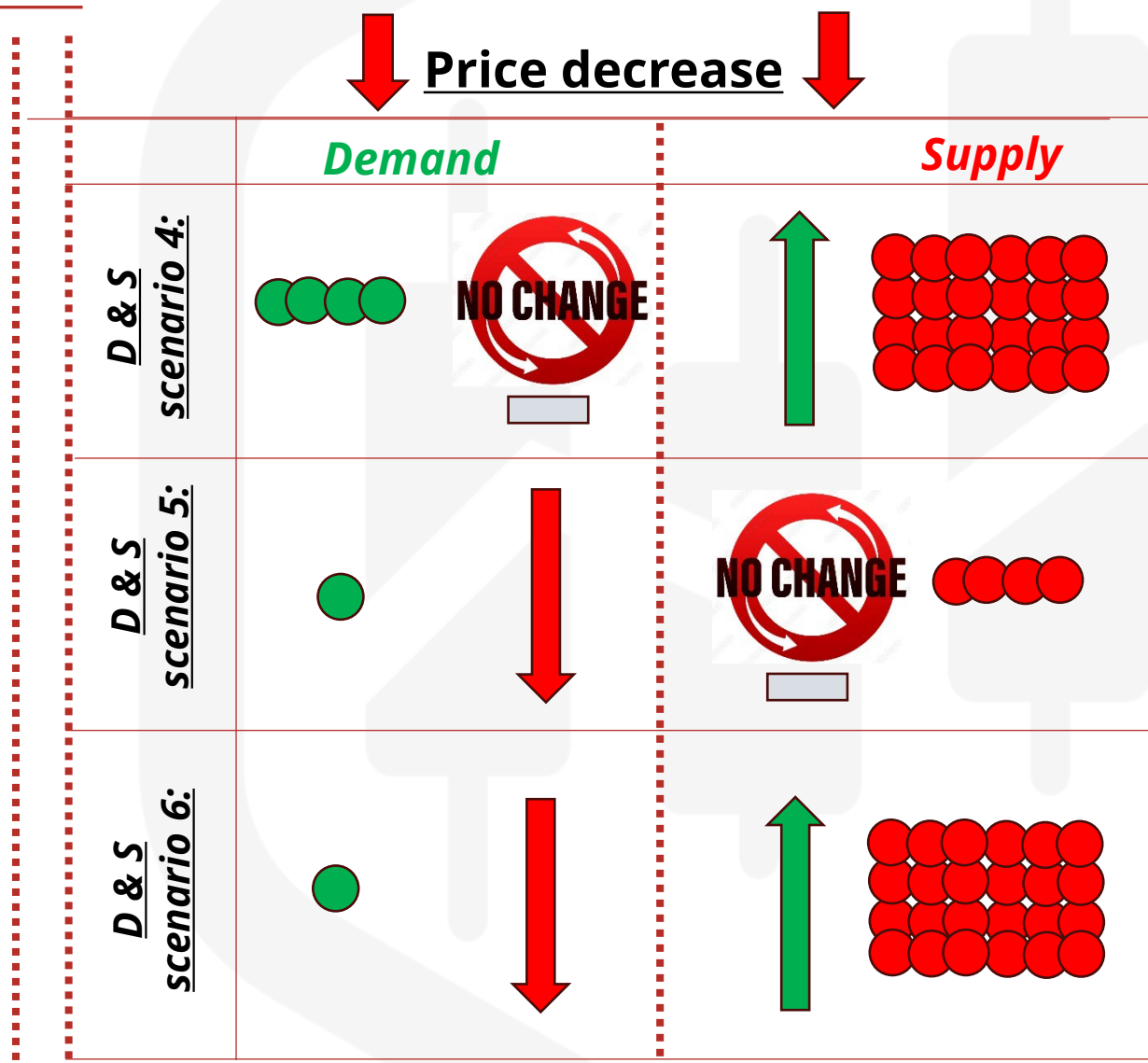
*These scenarios represent simultaneous equal or similar strength of both **Demand** and **Supply!***

IMBALANCE between the Demand and Supply moves the price.

	Demand	Supply
scenario 1:		
scenario 2:		
scenario 3:		



IMBALANCE between the Demand and Supply moves the price.



IMBALANCE between the Demand and Supply moves the price.

↑ Price increase ↑

↓ Price decrease ↓

	Demand	Supply
D & S scenario 1:		
D & S scenario 2:		
D & S scenario 3:		

	Demand	Supply
D & S scenario 4:		
D & S scenario 5:		
D & S scenario 6:		

Introduction summary

1) When **buyer(s)** and **seller(s)** come to an **agreement** about the acceptable price of shares to both parties, **price moves**.

2) If there is no agreement or no interest from **buyer(s)** and **seller(s)**, **price does not move**.

3) **Demand** in the market is provided by the **buyer(s)**.

4) **Supply** in the market is provided by the **seller(s)**.

5) If strength of the **Demand** meets the strength of the **Supply**, price is in **BALANCE**. **Price will not move significantly**.

6) If **Demand** is in relative excess, price is in **IMBALANCE** and will **move up** (rise, increase; see *D & S scenarios 1-3*).

7) If **Supply** is in relative excess, price is in **IMBALANCE** and will **move down** (decrease; see *D & S scenarios 4-6*).