BNP PARIBAS FORTIS

Shares

Changes in the price of shares attract a lot of attention: you hear talk about this every day in the media. But do you know how this price changes? And what exactly are shares?

A share of the capital

Entrepreneurs need money to start up and expand a company. They can obtain this money in different ways. They can invest their own money or ask the bank for a loan. But they can also appeal directly to savers by issuing bonds or shares.

A saver who buys a share in a company becomes a co-owner of this company, as a shareholder. A shareholder is willing to take risks. He can benefit from the company's profits when things go well but he also bears any losses when the company performs less well. The value of a share can collapse. At worst, a share can lose all of its value. Savers who invest in companies enable them to develop new products and explore new markets, which is positive.

On the stock exchange or not?

In order to buy a share, you can go to a stock exchange. This is a market where buyers and sellers of shares meet. Shares negotiated on the stock exchange are shares listed on the stock exchange. The stock exchange price of the share is the price at which the share is purchased and sold. The stock exchange price therefore depends on the demand and supply of shares at any given moment: it not only varies from one day to the next, but also during the same day.

Tips

- Share prices can vary widely in the short term. Only invest money that you will not need for the next ten years. The performance of a share can only be assessed over the long term.

- Make sure you are well informed before investing in a share; only invest in the shares of companies that you know.

Test your knowledge on shares

Did you know...?

- A share, whether listed or not, is a certificate of ownership. You therefore become "co-owner" of the company in which you invest, which involves several new rights (voting rights at ordinary and extraordinary general meetings, right to information, etc.).
- A share can generate two types of income: dividends (subject to withholding tax) and capital gains (depending on volatility).
- Share prices can fluctuate a lot, depending both on external factors (geopolitical tensions, economic climate, price of the dollar, market psychology, etc.) and the circumstances of the company in question (launch of a new product by a rival, departure of the CEO, environmental scandal, etc.).
- In theory, the price of a share is a trade-off between the revenues – future dividends and unrealised capital gains – and risks (internal and external) associated with this share.
- The purchase and sale of shares gives rise to the collection of fees.
- In the event the company files for bankruptcy, the shareholder will only be reimbursed after all other creditors have been compensated.
- When buying shares, you should ensure optimal diversification of your portfolio. It should include some twenty individual shares from different economic areas in order to distribute the risk as much as possible.

Like to know more about shares?

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