

The help of technology to the stock market

[Technology](#)



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The purpose of this research paper is to prove that technology has been good for the stock market. Thanks to technology, there are now more traders than ever because of the ease of trading online with firms such as Auditrade and Ameritrade. There are also more stocks that are doing well because they are in the technology field. The New York Stock Exchange and NASDAQ have both benefitted from the recent technological movement.

The NYSE says they "are dedicated to maintaining the most efficient and technologically advanced marketplace in the world." The key to that leadership has been the state-of-the-art technology and systems development. Technology serves to support and enhance the human judgement at point-of-sale.

NASDAQ, the world's first fully electronic stock market, started trading on February 8th, 1971. Today, it is the fastest growing stock market in the United States. It also ranks second among the world's securities in terms of dollar value. By constantly evolving to meet the changing needs of investors and public companies, NASDAQ has achieved more than almost any other market, in a shorter period of time.

Technology has also helped investors buy stocks in other markets. Markets used to open at standard local times. This would cause an American trader to sleep through the majority of a Japanese trading day. With more online and afterhours trading, investors have more access to markets so that American traders can still trade Japanese stocks. This is also helped by an expansion of most market times. Afterhours trading is available from most online trading firms.

For investing specialists, technology provides operational capability for handling more stocks and greatly increased volumes of trading. Specialists can follow additional sources of market information, and multiple trading and post-trade functions, all on "one screen" at work or at home. They are also given interfaces to "upstairs" risk-management systems. They also have flexibility to rearrange their physical workspaces, terminals and functional activities.

Floor brokers are helped with supports for an industry-wide effort to compare buy/sell contracts for accuracy shortly after the trade. They are also given flexibility in establishing working relationships using the new wireless voice headsets and hand-held data terminals. The ability to provide new and enhanced information services to their trading desks and institutional customers is provided. They have a comprehensive order-management system, that systematizes and tracks all outstanding orders.

Technology gives a market's member organizations flexibility in determining how to staff their trading floor operations as well as flexibility in using that market's provided systems, networks and terminals or interfacing their own technology. They are given assurance that their market will have the systems capacity and trading floor operations to handle daily trading and in billions of shares. Member organizations get faster order handling and associated reports to their customers, along with speedier and enhanced market information. They also have a regulatory environment, which assures member organizations that their customers, large and small, can trade with confidence. Technology also allows lower costs, despite increasing volumes and enhanced products.

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Companies listed on the NYSE are provided with an electronic link so they may analyze daily trading in their stock, and compare market performance during various time periods. The technology also supports the visibility of operations and information, and regulated auction-market procedures, which listed companies expect from their " primary" market in support of their capital-raising activities and their shareholder services.

Institutions get enhanced information flow from the trading floor, using new wireless technologies, as to pre-opening situations, depth of market, and indications of buy/sell interest by other large traders. Also supported are the fair, orderly, and deeply liquid markets which institutions require in order to allocate the funds they have under management whether placing orders in size for individual stocks (block orders) or executing programs (a series of up to 500 orders usually related to an index).

For institutional investors, technology gives information on timely trades and quotes and makes them available through member firms, market data services, cable broadcasts and news media. They also are provided with a very effective way of handling " smaller" orders, giving them communications priority and full auction market participation for " price improvement" yet turning the average market order around in 22 seconds. Price continuity and narrow quotation spreads, which are under constant market surveillance and a regulatory environment which enforces trading rules designed to protect " small investors" are also supported.

There are many different kinds of equipment used on the stock market. One of these machines is SuperDot, an electronic order-routing system through

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which member firms of the NYSE transmit market and limit orders directly to the trading post where the stock is traded. After the order has been completed in the auction market, a report of execution is returned directly to the member-firm office over the same electronic circuit that brought the order to the trading floor. SuperDot can currently process about 2.5 billion shares per day.

Another piece of machinery is the Broker Booth Support System. The BBSS is a state-of-the-art order-management system that enables firms to quickly and efficiently process and manage their orders. BBSS allows firms to selectively route orders electronically to either the trading post or the booths on the trading floor. BBSS supports the following broker functions: receiving orders, entering orders, rerouting orders, issuing reports, research, and viewing other services via terminal "windows".

The overhead "crowd" display is America's first commercial application of large-scale, high-definition, flat-screen plasma technology. It shows trades and quotes for each stock. The display also shows competing national market system quotes. Clear, legible information is displayed at wide viewing angles. Full color and video capabilities are also provided.

The "Hospital Arm" Monitor is suspended for convenient viewing by specialists. Multiple data sources that are displayed include point-of-sale books, overhead "crowd" displays, market montage and various vendor services. The list of information sources is going to continue expanding.

The Point-of-Sale Display Book is a tool that greatly increases the specialist's volume handling and processing capabilities. Using powerful workstation

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technology, this database system maintains the limit order book for which the specialist has agency responsibility, assists in the recording and dissemination of trades and quotation changes, and facilitates the research of orders. All of this serves to eliminate paperwork and processing orders.

The Consolidated Tape System is an integrated, worldwide reporting system of price and volume data for trades in listed securities in all domestic markets in which the securities are traded. The Hand-Held is a mobile, hand-held device that enables brokers to receive orders, disseminate reports, and send market "looks" in both data and image format, from anywhere on the trading floor.

Intermarket Trading System is a display that was installed in 1978 linking all major U. S. exchanges. ITS allows NYSE and NASDAQ specialists and brokers to compare the price of a security traded on multiple exchanges in order to get the best price for the investor.

These are the machines that have helped greatly increase the buying and selling of stocks over the past few years. There are great advantages to trading today over the situation that past traders had. The biggest beneficiaries of this new technology are investors themselves. They have all day to trade instead of trading only during market hours, they have more stocks to choose from, and the markets are very high so people are making a lot of money.

In conclusion, I have discovered that the research I have done on this project has revealed what I originally thought to be true. That is that the stock market has greatly benefitted from the recent advances in technologies.

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