

# [Word for securities is undoubtedly an exciting](https://assignbuster.com/word-for-securities-is-undoubtedly-an-exciting/)

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G. Edwards Inc. The industry for securities is undoubtedly an exciting and fast pacedindustry. This means that brokerage firms such as A. G.

Edwards and Sonsmust always be watching the stock prices on every stock in the market sothat they can give their clients maximum profit. When A. G.

Edwards andSons clients do well then in turn so does the brokerage firm. A. G. Edwards Inc. is not the biggest corporations in America, but yet it isstill a very large corporation and has great importance in the industryfor which it participates. This paper will give an in depth explanationabout how A.

G. Edwards functions as a cor-poration. Along with competition from the government, banks and other brokeragefirms there is also probably the biggest factor involved of interestrates. Interest rates are indi-rectly proportional to the activity inthe stock market. This means that when the interest rates fall themarket for securities becomes active. This is due to the fact thatpeople want the highest yield on there money and when interest rates arelow, investing money into a bank would yield less money then it wouldhave before at a higher interest rate.

So people tend to want to putthere money into something that will give them a higher yield and stocksare just that. An example of this inversely proportional relationship is always beingdemon-strated and was demonstrated in the past few years. At the end of1992 to the beginning of 1993 the volume in most businesses was atrecord levels obtaining a pre-tax net income for the whole industry of9. 1 billion dollars setting a new record for the second year in a row(Hoovers Company & Industry Database, 1993, p. 1 (Hoover, 1993, p. 1)). This trend continued when in the beginning half of 1993 offerings (newbusiness for the com-pany) exceeded those of 1992 (Hoover, 1993, p.

2). Examples of this are as follows; more than 700 billion dollars of debtwas issued in 1992 and then in the first half of 1993 an-other 440billion dollars of debt was issued (Hoover, 1993, p. 2). More than halfof this debt was due to asset-backed debt such as credit cards and othercharges made to credit (Hoover, 1993, p. 2). These debts were includedbecause the debts were more or less sold to banks and other moneylending institutions who were more willing to take the risk for the highinterest rate. This drop in interest rates did wonders for the brokerage firms involvedand also corporations that had acquired debt over the years. The fallof interest rates was great for the brokerage firms because of theincrease in business with the publics desire to invest.

So thecorporations used it to issue off more stock to the public to pay offtheir debts (Hoover, 1993, p. 2). As if interest rates didnt have enough effect on brokerage firms, thereis also the heavy competition that was involved. This competition isnot only from other top broker-age firms such as Merrill Lynch, MorganStanley, Primerica (Smith Barney Shearson), Salomon, and Goldman Sachs, but there is also competition from big banks and securities over seas.

Banks have a number of ways to compete with security firms, but the mostprevalent and direct is through mutual funds. Since the late 1980sbanks have been ag-gressively competing with mutual fund sponsors byissuing there own mutual funds to the public (Hoover, 1993, p. 3). Mutual funds that are issued by banks are now the fastest growing partof the mutual fund industry, with 10.

6 percent of total assets and 30percent of new sales (Hoover, 1993, p. 3). There has just recently beena large amount of compe-tition from markets overseas and thiscompetition continues to increase.

There are a few theories as to whathas caused so many U. S. investors to invest in foreign markets. It issupposed that it is either individual investors who want to furthertheir portfolio or in-vesting in foreign markets to try and avoidinterest rates and changes in currency (Hoover, 1993, p. 4).

Theinvestment in foreign markets has also been attributed to technology andthe fact that up to date information can be obtained instantly from anyplace in the world (Hoover, 1993, p. 4). But whatever has caused itglobal securities have skyrocketed. Before the organization and structure of the company a brief historyand explana-tion of the company will be discussed. A.

G. Edwards & Sonswas founded in 1887 by Benjamin