

History of the Stock Market to Modern Trade

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The origins of the stock market trace back to medieval Europe, where early forms of trading laid the groundwork for what would become a global financial system. The concept of a stock market evolved significantly from the 13th century onward, gaining a strong foothold in Europe before making its way to the United States.

Early Days

In the late 1400s, Antwerp (Belgium), became a hub of international trade. During this time, bonds began to be traded, marking one of the earliest instances of organised financial markets. However, the first true stock market is considered to have been established in Amsterdam in 1602 with the founding of the Dutch East India Company. This company was the first publicly traded company, and for many years, it was the only company with shares actively traded on an exchange. The Amsterdam Stock Exchange set the stage for modern financial markets by introducing the formal trading of company shares and bonds, along with other elements that are now considered fundamental to stock exchanges.

The London Stock Exchange followed in 1773, initially starting as an informal gathering of stockbrokers in coffeehouses. Over the years, it evolved into a highly organised and internationally influential stock exchange. Meanwhile, in the United States, the New York Stock Exchange (NYSE) was established in 1792. Originally, it focused on trading government bonds but quickly expanded. By 1817, it had become a formal organisation and has since grown into the world's largest stock exchange by market capitalisation.

See – [Guidance note: The History of NYSE | New York Stock Exchange \(nyse.com\)](https://www.nyse.com/learn/guidance-note/the-history-of-nyse)

See – [Guidance note: History of the Stock Market | SoFi \(sofi.com\)](https://www.sofi.com/learn/guidance-note/history-of-the-stock-market)

S&P 500

One of the most significant developments in the stock market's history was the creation of the S&P 500. This index, introduced by Standard & Poor's in 1923, initially covered 233 companies. However, the S&P 500 as we know it today was launched in 1957. The index was enabled by the development of electronic calculation methods, which allowed for more efficient calculations, covering over 80% of U.S. equities. The S&P 500 was designed to reflect the overall composition of the U.S. economy, and it remains one of the most widely followed indices in the world.

See – [Guidance note: History of The S&P 500 Index | Pennsylvania Insurance Department \(insurance.pa.gov\)](https://www.insurance.pa.gov/learn/guidance-note/history-of-the-s&p-500-index)

Dow Jones

Another key milestone in the stock market's history was the creation of the Dow Jones Industrial Average in 1896 by Charles Dow. Initially composed of 12 industrial stocks, the Dow Jones Industrial Average provided a benchmark for the performance of the U.S. industrial sector. The Wall Street Journal began publishing the index, which included companies like leather makers, steel providers, and sugar producers, and it has been a critical indicator of market trends ever since.

See – [Guidance note: DIJA First Published | Library of Congress \(guides.loc.gov\)](https://guides.loc.gov/djia)

NASDAQ

In 1971, the stock market took another leap forward with the creation of the National Association of Securities Dealers Automated Quotations. NASDAQ was revolutionary as it was the world's first electronically-run stock market. While it did not initially allow for the electronic execution of trades, it provided automated stock quotes, which helped reduce the bid-ask spread. Over time, NASDAQ became the primary exchange for Over-the-Counter (OTC) trades and, in 1998, became the first exchange to offer online trading. Today, NASDAQ continues to innovate, expanding its business lines and focusing on applying technology to the financial sector.

The companies listed on NASDAQ are categorised into three tiers based on market capitalisation: Capital Market, Global Market, and Global Select Market. Each of these tiers has varying requirements, with the Capital Market representing smaller companies and Global Select Market featuring large-cap stocks with stricter corporate governance and liquidity standards.

See – [Guidance note: NASDAQ | Corporate Finance Institute \(corporatefinanceinstitute.com\)](https://corporatefinanceinstitute.com/guides/nasdaq/)

Since the mid-20th century, the stock market has become increasingly globalised and technologically advanced. The transition to electronic trading has allowed for the listing of thousands more companies and a wider range of investment options. Stock market capitalisation has grown exponentially, and public participation has surged due to lower trading costs and the introduction of new financial products like Exchange-Traded Funds (ETFs) and 401(k) retirement plans.

Today, the performance of stock markets is closely watched as a barometer of economic health, reflecting the global economy's many complexities. The stock market's long and winding history is a testament to its enduring significance and constant evolution.

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