Large, actively traded stocks trade several times a minute and most a few times each trading day, so pricing is fairly consistent between brokers. There is said to be a high degree of "price transparency" and "price discovery". A round lot, or the minimum normal trade lot size, is usually 100 shares, and smaller or "odd lot" trades are common. A few hundred or a few thousand dollars is enough to get efficient pricing, so individual investors are common and reasonably well served.

You may offer to buy or sell at a specific price, a limit order, or place your order "at the market". Your broker will pass along the order to a market-maker. The market-maker is either a person acting as a specialist on the floor of a stock exchange or to a computerized trading system; the job of either is to match buy and sell orders. They earn their money from the bid-asked spread. Your broker makes its money from the commission they charge you.

Once your trade has been "executed" (actually happened) you will have a certain number of business days before the trade actually settles. You must deliver funds to your broker by the trade settlement date, perhaps by wire transfer or by a bank check that has actually cleared. Most exchanges now settle trades in "T+3", or three days after the trade date, and are working to switch to "T+1" in 2005. Taiwan is already on "T+0".

B. Bond Trading

Bond trading is quite different. An issuing company may have a dozens of individual bond issues with different maturity dates, coupon rates, priority in bankruptcy (senior, mezzanine, or subordinated debt), and even provisions to convert into common stock. For example, as of January 27, 2003 Ford Motor Company had 20 different bond issues outstanding, and subsidiaries including Ford Motor Credit and Hertz had approximately 88 more (there may be some double-counting here because of rule 144A bonds with both registered and unregistered versions tracked on Bloomberg). Your investment advisor's research analysts and portfolio managers must decide which is most attractive and, with your help, most appropriate for your company's portfolios.

In the US and Canada, a round lot is generally considered to be $1 million. Therefore, the bond market is dominated by institutions (mutual funds, pension and endowment funds and insurance companies), rather than by individual investors. These investors tend to have a much longer term investment focus than in the equity markets. With the exception of certain Treasuries, bonds are traded heavily at issue and for a few weeks afterward. Soon the bonds will be in place in these institutional portfolios, and a particular issue may go weeks without a trade. There is a low degree of price transparency and slow price discovery. The market price of a specific bond may be difficult to determine.

The bond market is a negotiated market, not a specialist/order book market like the stock market. The broker/dealer does not go to a specialist on an exchange to find a counterparty for you. They locate the buyer or seller you need directly from their own contacts and trading relationships. To get your trade executed your portfolio manager or trader must call several different broker/dealers and maintain a little pressure on them for a few days to find buyer or seller.