



CREATING PROSPERITY BY CONNECTING INVESTMENT OPPORTUNITIES TO INVESTORS

INVESTORS' CORNER

The Social Exchange of Facebook & the Capital Market

“Facebook is the only place where it’s acceptable to talk to a wall.”

Anonymous

What does Facebook and the stock market have in common? Do they have any similarities? Is this a trick question like when my spouse asks “Do you think I am fat?” Well, no. It is not a trick question. Not in this case. When you think about the videos and comments that stream through your daily newsfeed, I guess you might conclude...not much. But when I sat down for a bit and tried to assess them both you would be surprised that there are quite a number of similarities to go by. Let's take a look at them.

Facebook is where millions of people across borders meet to share, discuss, like, comment – in financial words “transact” on topics, videos, pictures and ideas that are important to them. Similarly, the stock market is where large number of individuals meet to transact (buy or sell) on shares of a company that they believe will add value to their lives. In other words, Facebook is the market for socialization and the stock market is the market for investments.

Now that we have established our premise, let’s delve a bit more to explore the other similarities. If Facebook is the market place for social interaction, it therefore means it promotes the habit of socializing. If we extend our reasoning, then the stock market is the place that promotes the habit of investing. How so? Facebook facilitates socialization through the *ease of connection* with lost high school - even kindergarten - friends or long last family members separated by the oceans. The stock market is no different when it comes to investing – it allows for the *ease of buying and selling* a

stock in an efficient manner. A Stock Exchange is a complex mechanism that culminates in one important function – to allow for thousands of company shares to be traded through millions of individual transactions. This means that when you are ready to buy there is always a place where thousands of others are waiting to sell to you – especially if the price is right. The opposite is true, when you are ready to sell – there are thousands of others ready to buy – especially if it is a worthwhile stock. The result of this? High liquidity and marketability for companies that are listed on the stock exchange, especially if the stock of the company are eagerly sought after, like Google. This is way better to Real Estate transactions as an investment option, that at times, find you locked in for years before you are able to find a willing buyer and which normally requires large sums of monies.

Wait, there is more. Facebook is used as one of the main social mechanism to *raise awareness* in the general public – on a project; on a new business; on a new event, etc. Do you remember the ice bucket challenge in 2014? The challenge where you pour freezing cold water and ice over someone’s head? Yes, that one. Do you remember where you saw most of those crazy videos? Well, the Ice bucket challenge’s success on raising awareness and funding for Autism was single handedly facilitated through Facebook sharing. So too for companies that wish to *raise money* to either start a project; finance an expansion or raise additional capital, the stock market is the perfect vehicle for such a fund raising objective from the general public. It is one of the primary ways small businesses, entrepreneurs or even the government can raise money directly from the public in reasonable amounts based on what the investor can afford.

Normally, if you watch a video or read a comment that is shared on your Facebook page and feel moved by it, then you will either *like* it or love it or select a “wow” icon, depending on how strongly you feel about it. Similarly, on the stock market, if you fancy a stock –for whatever reason – for example, you are confident in management’s capabilities (Steve Jobs when he was at Apple); or you believe the product is awesome (the I-Pod) – you liking the stock means you will either *follow* the stock to learn more about its activities or *buy* the stock if you feel strongly about its growth.

Through Facebook, trending topics with high level of shares and likes are given higher value and importance. Actually the more likes or shares a video may have, the more it is believed that the content of the video is worthwhile and true. So too for stocks, if there are a lot of persons

demanding say the Apple stock, then the value and therefore the price of the Apple stock will increase as driven by the interaction of demand and supply.

Despite the time consuming nature of Facebook and in recent times the many abuses of the social network, if used efficiently FB is good at bringing dispersed families members and friends together, provide efficient means of raising awareness and as such is ultimately good for relationship building, whether personal or commercial. If we extend this analysis to the stock market, one can argue that despite the riskiness of it, the interplay of all the benefits that the stock market offers to the investor and listed companies translate to the most far reaching benefit of them all. And that is the overarching growth potential that the stock market offers to the local economy.

The question then is, can Curacao cash in on these benefits? Does it have an Exchange that allows for all the benefits aforementioned? The answer is yes! DCSX.

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Author of this publication: Stephanie Shaw CFA, MBA.

