



Diminishing Stock Market

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Back in 1997, investors could choose from more than 8,000 publicly traded companies listed on various exchanges. Today, that number is just over 4,000. What's going on?

A variety of explanations have been proposed, and all of them sound plausible, but none can account for half of all stocks available for you and me to buy and sell to have vanished from the marketplace.

One explanation is that smaller firms are choosing to remain private, to avoid disclosure and other regulatory strictures imposed by the Securities and Exchange Commission. According to one estimate, comparing the number of new startup firms and the number of new listings since 1996 with previous history, there would have been at least 9,000 new listings today. Normally, these new listings would have provided supply in the public markets to offset the relatively high number of mergers, which combined two or more firms into one ticker symbol. The National Bureau of Economic Research noted that there have been an unusually large number of mergers occurring in the U.S. after 1996. It doesn't have any explanation for it.

Another more recent trend is fewer initial public offerings from Chinese companies, and some are leaving. Chinese companies listed on the American exchanges are not a trivial phenomenon; of the 2,765 companies listed on Nasdaq, 846 are foreign companies, many of them Chinese.

Finally, a growing number of companies went public through the back door, where an existing shell company already trading on one of the exchanges would be purchased by a Special-Purpose Acquisition Company (SPAC), which would then sell additional shares, and buy one or more private companies that otherwise would have been listed individually.

Globally, it would seem that the U.S. is falling behind in terms of individual companies listed on the various exchanges. Nasdaq finishes third globally, behind the Japan Exchange Group (3,870 listed companies), and the TMX exchange in Canada (3,535). The New York Stock Exchange's 1,807 listed companies fall behind comparable exchanges in Shenzhen, China (2,765), Hong Kong (2,420), Korea (2,467), India (2,209), and Shanghai, China (2,194).

When it comes to overall value, the New York Stock Exchange (25.15 trillion aggregate value of all listed stocks) and Nasdaq (\$18.99 trillion) lead the pack by a very wide margin; the next closest competitor is the Shanghai exchange in China, with \$7.24 trillion in listed value. The bottom line is that even though the number of stocks listed on U.S. exchanges has been declining, U.S. investors still have the most valuable and liquid investment options in the world.

Sources:

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If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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