

Monkey Business

Once upon a time, in a place overrun with monkeys, a man appeared and announced to the villagers that he would buy monkeys for \$10 each. The villagers, seeing that there were many monkeys around, went out to the forest, and started catching them.

The man bought thousands at \$10 and as supply started to diminish, they became harder to catch, so the villagers stopped their effort.

The man then announced that he would now pay \$20 for each one. This renewed the efforts of the villagers and they started catching monkeys again. But soon the supply diminished even further and they were much harder to catch, so people started going back to their farms and forgot about monkey catching.

The man increased his price to \$25 each and the supply of monkeys became so sparse that it was an effort to even see a monkey, much less catch one.

The man now announced that he would buy monkeys for \$50. However, since he had to go to the city on some business, his assistant would now buy on his behalf. While the man was away the assistant told the villagers. 'Look at all these monkeys in the big cage that the man has bought. I will sell them to you at \$35 each and when the man returns from the city, you can sell them to him at \$50 each.

The villagers rounded up all their savings and bought all the monkeys. They never saw the man nor his assistant again and once again there were monkeys everywhere.

Now you have a better understanding of how the stock market works.