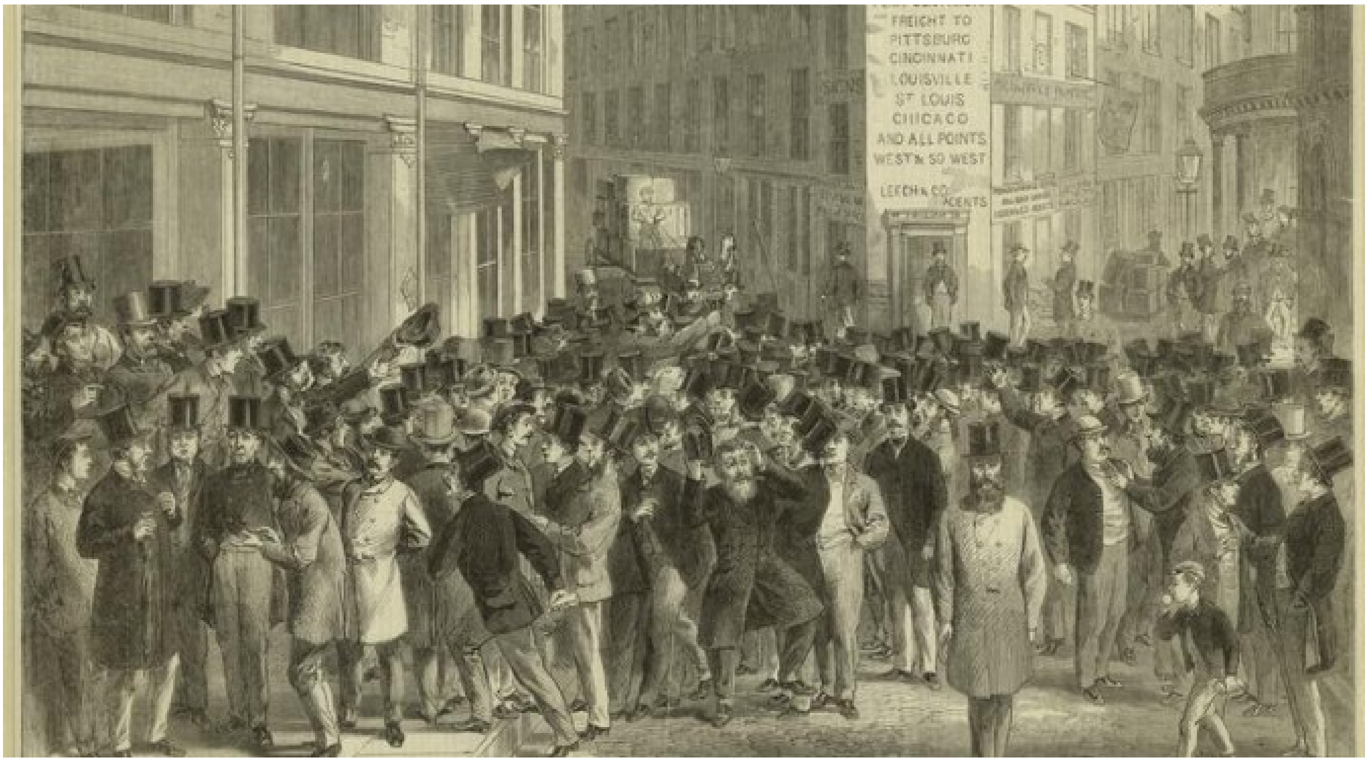

Curbside Trading

The Curb began during the Civil War on the street just outside the NYSE. Open to all, anyone could show up to buy and sell stocks that were not listed on the NYSE. In the 1860s, rain or shine, the curb opened at 8am and operated until 6pm in William Street between Exchange Place and Beaver Street. Between 1869 and 1881, the open-air market included two other units, the New York Mining Stock Exchange and the Petroleum Consolidated Stock Exchange. During the 1890s, the Curb operated in front of the Mills Building at the corner of 15 Broad Street and Wall Street. The Curb relocated to Blair Building in 1907 at 44 Broad Street, just south of Exchange Place where it remained until the building at Trinity Place was opened in 1921.

Originally, there were no rules for membership. Anyone could join the crowd on the curb and buy and sell shares. Messenger boys were used to convey information between curbstone brokers and their offices. Later, “brokers” used hand signals to notify people in windows above the street of the transaction to record it and telephone the transactions to their offices. Customers would send an order for shares to their broker who would then signal the person handling the shares in the street. When the order was completed, they would signal back to the broker in the window above the street and the transaction would be completed.

The Big Board tolerated, the curbstone brokers if they followed two rules. First, brokers had to operate outside. They could not move indoors and trade stocks in a building. Second, they could only trade stocks that were not listed on the NYSE.

Before WWI, mining stocks were the backbone of the Curb, and 85% of the business on the Curb was generated by members of the NYSE. Although some of the curbstone brokers wanted to create a new exchange to trade on, they knew about the hostility the Consolidated Stock Exchange received from the NYSE when it violated those two rules — so they settled on trading odd lots in NYSE listed securities and building an exchange with a trading floor where shares could be traded. However, the 1907 “Rich Man’s” Panic was set off by two stocks that were traded on the Curb, and not on the NYSE: United Copper and Knickerbocker Trust. Wall Street was blamed for the 1907 Panic and particularly panic on the NYSE. Many of the industries in the United States had been reorganized into monopolistic trusts, and people reasoned that a “money trust” must run Wall Street and that the NYSE ran Wall Street. The Pujo Committee investigated Wall Street to lay blame on the “money trust” that had caused the Panic of 1907 to occur.

The Curb is Born

Brokers who wanted to establish the Curb on a more formal basis took advantage of this criticism of the NYSE to form the New York Curb. Any open hostility by the NYSE toward a competing exchange would be seen as monopolistic with the intent to control markets and limit competition. The New York Curb Agency was founded in 1908 and established trading rules for brokers. On April 1, 1910, the NYSE abolished its unlisted department and some of the NYSE unlisted securities moved to the Curb. The New York Curb Market Association was organized as a voluntary association in 1911. The first open meeting of the New York Curb Market occurred on June 6, 1919 at the Hotel Commodore where its officers agreed to move indoors. Offices were established at 6 Wall Street and later at 25 Broad Street. The Curb Quotation Co. issued a daily list of stocks before the curbstone brokers moved indoors in 1921 and the prices of Curb stocks were published in the *Commercial and Financial Chronicle*, the *New York Times* and other newspapers.

On June 27, 1921, the New York Curb moved indoors at its building in Trinity Place. The floor had 24 trading posts on the exchange floor. It also established a ticker system and adopted stringent regulations, including listing requirements and rules for dealing between brokers. The name of the New York Curb Market was officially changed to the New York Curb Exchange in 1929. In 1953, the New York Curb Exchange changed its name to the American Stock Exchange. The AMEX was acquired by NYSE Euronext on October 1, 2008 and changed its name to NYSE Alternext U.S., to NYSE AMEX Equities, to NYSE MKT LLC on May 10, 2012 and then to NYSE American in 2016.

The AMEX and the NYSE

The AMEX was the minor leagues compared to the NYSE — Big Leagues. The difference between the two exchanges is illustrated in Table 1 which shows the number of listed companies and the market capitalization of the NYSE and the AMEX at decade intervals. The AMEX had no growth in companies listed in the 1940s, grew during the 1950s and 1960s, then began its decline in the 1970s when technology companies, banks and others chose to list on NASDAQ rather than the AMEX. The relative market capitalization of the AMEX shrank relative to the NYSE over time. The number of companies listed on the Curb was 65% of the number of companies that were listed on the NYSE in 1920, though the market cap was only 13.6% of the NYSE. The number of companies that listed on the Curb/AMEX relative to the NYSE remained relatively constant until 1970 when this ratio hit 57%, but the relative market cap continued to decline, falling to 5.4% in 1970. The AMEX did succeed in attracting young technology companies to the AMEX in the 1960s, but in the 1970s, technology companies remained on the NASDAQ. Since 1970, the number of companies that listed on the AMEX has steadily fallen as new companies chose NASDAQ over AMEX.

	Securities		**Market Cap**	
Year	**NYSE**	**AMEX**	**NYSE**	**AMEX**
1910	428	55	13,762	544
1920	667	434	18,988	2,590
1930	1150	603	56,209	5,751
1940	1277	574	42,410	2,951
1950	1466	608	102,088	8,410
1960	1693	874	351,523	19,615
1970	2002	1136	634,915	34,471
1980	1924	743	1,213,149	58,590
1990	1907	611	2,856,385	54,881
2000	2303	437	12,911,868	45,738

Table 1. NYSE and AMEX Listed Companies and Market Cap

The success of the AMEX has been mirrored in the cost of membership on the exchange. Membership on the Curb sold for as little as $3750 in 1921, but by 1929 the cost of a membership had risen to over $250,000. As interest in the Curb fell, so did the cost of a membership. By 1942 membership on the Curb sold for only $800, but by 1987, the cost of a seat had risen to $400,000. By comparison, a seat on the NYSE sold for $99,000 in 1921, $625,000 in 1929, $23,500 in 1942 and $877,500 in 1987.

The AMEX benefitted from the bull markets in the 1920s and the 1960s. In 1929, the AMEX had 2100 securities listed, 350 domestic bonds were admitted for trading, and the Curb traded 500 million shares. In July 1931, 140 foreign stocks listed on the Curb. The number of shares that were traded skyrocketed in the 1920s; 7,196,300 shares traded on October 29, 1929. Around 650 to 750 shares were traded daily with the highest number being 763 issues on May 9, 1928.

Betting on the Market

The Great Depression had a dramatic impact on the viability of the Curb. In 1934, the SEC introduced rules for not only operating a stock exchange, but for listing on an exchange. In the 1920s, any broker could buy 100 shares of a stock, apply to list it on the Curb and then began acting as a broker for that stock. If a new stock did an initial public offering, Curb brokers would begin trading the stock even before shares were issued. This enabled speculators to “bet” on what they thought the price would be. Once the stock was issued, the brokers would buy up shares and settle the accounts. The Curb made markets in several companies that were listed on the Chicago Stock Exchange and wanted shares traded exclusively in Chicago, not on the Curb. There were no listing restrictions. ***Curb brokers would bet on just about anything.*** Reportedly, many of the bets on the 1919 World Series Black Sox scandal were placed through curbstone brokers.

The SEC forced the Curb to introduce listing requirements, although it continued to trade unlisted securities. New stocks that were listed on the Curb had to follow the SEC rules for listing, but unlisted securities were grandfathered in. Even for the stocks that were listed on the exchange, the AMEX did not always enforce the listing requirements, preferring to keep stocks listed rather than kick the company off the exchange. After 1934, regional exchanges went into decline and more and more, traded securities listed on the NYSE or the AMEX. In 1938, there were 501 listed issues and 605 unlisted issues on the Curb, but by 1970 there were 1,160 listed securities and only 62 unlisted issues on the AMEX.

Nevertheless, the Curb/AMEX was always trying to upgrade its status as an exchange. The SEC got rid of the bear pools and other stock manipulations that existed in the 1920s, but some specialists on the AMEX still tried to manipulate stocks for their own profit. The Cuppia and Re Scandals gave the Curb/AMEX a bad name and chairmen like Etherington tried to improve the status of the AMEX and get companies that were unable to meet the listing requirements of the NYSE to list on the exchange. The AMEX originated American Depository Receipts (ADRs) as a way of getting foreign, and especially Canadian companies, to list on the AMEX. The AMEX had more foreign companies listed on its exchange than all the other American exchanges put together. As Chairman, Etherington largely succeeded and the number of companies that listed on the AMEX increased until the NASDAQ proved to be a more attractive place for stocks to list in the 1970s.

AMEX Indices

The American Stock Exchange has kept its own index of stock prices since 1963. The New York Herald Tribune published an index of American Stock Exchange stocks from 1924 until the 1960s when it discontinued its averages, but unfortunately, no source for this index has been located.

On October 1, 1962, the American Stock Exchange introduced its Price Level index. The Price Level Index reflected the current price level of issues traded and changes in their price. The index was calculated by adding price changes from the previous close of each common stock and warrant and dividing the total by the number of common stocks and warrants on the AMEX list. The net change was then added to or subtracted from the index level at the previous close.

In 1969, the AMEX Market Value Index (XAM) was introduced. It was capitalization-weighted, but because the AMEX consisted of a few large stocks and many small companies, the large companies had a disproportionate impact on the index. The Market Value Index was a total return index that included the reinvestment of dividends. Historically, The AMEX included a large number of resource and technology/small-cap stocks making it more volatile than the

NYSE index. Since the NASDAQ has grown, the AMEX has shrunk in size and value.

On January 2, 1997, the AMEX Composite Index (XAX) was introduced. It is capitalization-weighted and is a price, rather than a return index. In addition to the Composite Index, the AMEX introduced five sector indices for Information Technologies (XIT), Finance (XFI), Healthcare (XHL), Natural Resources (XNA), and Industrials (XID). The 16 industry and geographic sub-indexes of the Market Value Index were discontinued.

Stocks on the Curb/AMEX

For the most part, New York Curb stocks were unable to list on the NYSE because they failed to meet the listing requirements of the NYSE, or companies were unwilling to list on the NYSE because they did not want to file the financial reports that the NYSE required of listing stocks beginning in 1896. Many mining and petroleum stocks that could not meet the listing requirements of the NYSE were traded on the curb, and as more and more industrial companies began trading in the 1920s, such as radio stocks, airplane stocks (many in response to Lindberg's flight) and other hot areas in the market, the trading on the Curb grew dramatically, with more shares being traded on the Curb during some days in the late 1920s than on the NYSE. In 1929, 1,125 million shares traded on the NYSE while 476 million traded on the New York Curb.

The largest stocks on the Curb were the Standard Oil Company subsidiaries. In 1912, Standard Oil was the largest company by market capitalization in the world, but since John Rockefeller was unwilling to publish financial statements, Standard Oil did not list on the NYSE. When Standard Oil was forced to divest itself of 34 subsidiaries in 1913, the Curb had to decide whether to list the 34 new subsidiaries or allow them to trade under rules for Standard Oil of New Jersey. In December 1913, the brokers on the Curb reached a compromise creating a separate Standard Oil list which traded on the New York Curb. Older brokers would be allowed to trade the subsidiaries and the prices of the stocks would appear on the Curb price list. The Standard Oil subsidiaries quickly represented a large portion by value of trading on the Curb. Only in March 1920 when Standard Oil of New Jersey wanted to raise capital for new preferred stock did the company move over to the NYSE and left the Curb. Standard Oil of New Jersey (ExxonMobil) and Atlantic Richfield moved to the NYSE in 1920 and Standard Oil of California (Chevron) moved in 1921. Eventually 14 of the 35 Standard Oil companies listed on the NYSE. There were also over 100 "other" oil stocks and over 100 mining stocks that listed on the Curb before 1921 but many of those stocks did not trade daily.

AMEX — a Steppingstone to the NYSE

We went through the list of stocks that were traded on the Curb to determine which stocks moved from the Curb/AMEX to the NYSE prior to the introduction of the AMEX Price Level Index in 1963. We identified 300 companies that traded on the Curb/AMEX before 1962 and eventually moved over to the NYSE or the NASDAQ. This included a number of companies that became members of the S&P Composite such as Quaker Oats, Deere & Co., Sherwin-Williams, Dow Chemical, Hecla Mining, Newmont Mining, Pitney-Bowes, Alcan, Raytheon, Pan American Airways, 3M Company, Xerox and dozens of others.

Between 1914 and 1963, there was a diverse group of companies that listed on the Curb/AMEX that remained on the Curb/AMEX. This included a number of railroads such as the American Coast Line Railroad, the Pittsburgh and Lake Erie Railroad, Missouri-Kansas-Texas Railroad, Norfolk Southern Railway, the Alabama Great Southern Railroad, the United New Jersey Railroad and Canal Co., and airlines such as Continental Airlines, Frontier Airlines, Texas International, Mohawk Airlines, Northeast Airlines and Ozark Airlines.

When the Soviet Union launched its Sputnik satellite in 1957, electronic and space stocks became hot just as internet stocks did in the 1990s. Technology companies became especially prominent in the 1960s, such as the Addressograph-Multigraph Corp., Bunko Ramo Corp. Philips Electronics, Duro Test Corp., American Photocopy Equipment Co. and Digital Equipment Corp. Industrial companies included the Century Electric Co., New Process Co., Universal Controls Inc., Fisher Governor Corp., Aerojet General Corp., Kaiser Industries Corp., Arundel Corp., and the New Process Co.

Many consumer goods companies listed on the AMEX, with several of them moving on to the NYSE. This included the John B. Stetson Co., Brown-Foreman Distillers, Carnation Co., Fairchild Camera, Family Dollar Stores, General Cinema, Giant Stores, Ideal Toy Co., Levitz Furniture, Montgomery Ward, New York Times, Pepperell Manufacturing Co., D.S. Revco, Rite Aid Corp. Sherwin-Williams, Cinerama, Inc., Technicolor, Inc., Circle K Corp. Schulte Retail Stores, Pep Boys, and Mead Johnson & Co.

Who would have guessed that all those companies owed their existence to listing on the AMEX?

Canadian companies included Dominion Steel & Coal, Dominion Textiles, Canadian Marconi, Bell Telephone of Canada, Canada Bread Co., Canada Cement and Canadian Superior Oil Co., Gulf Oil Canada, Imperial Oil, Canadian Occidental Petroleum, while British Corporations such as British Petroleum, British-American Tobacco, Ford Motor Co. Ltd., Rolls Royce, Ltd., Courtaulds, Ltd., Imperial Tobacco, and F. W. Woolworth Ltd. Foreign company listings on the AMEX increased in the 1950s, rising from 109 in 1951 to 152 in 1957, of which 113 were Canadian companies.

Although the AMEX was the minor league to the NYSE's major league, no one can doubt that the companies that listed on the AMEX played an important role in the American economy. The *Commercial and Financial Chronicle* and the *Bank and Quotation Record* kept track of the companies that listed on the Curb and only Global Financial Data has recorded the performance of those companies before 1962. The AMEX provides a pre-history to hundreds of companies that eventually graduated to the NYSE and to ignore the history of those companies before they listed on the NYSE is to miss an important piece of history.

Companies That Listed on the Curb/AMEX

The Curb/AMEX has always been dominated by a few large companies and many smaller companies. In the 1910s and 1920s, Standard Oil subsidiaries dominated the capitalization of the Curb. Table 2 shows the largest companies that were listed on the Curb/AMEX at five-year intervals between 1921 and 1960.

Year	Five Largest Companies
1921	Amoco, Mobil, Magnolia Petroleum, Marathon Oil, Swift & Co.
1925	Amoco, Mobil, Gulf Oil, Magnolia Petroleum, Vacuum Oil
1929	Amoco, Cities Service Co., Gulf Oil, Great Atlantic & Pacific, Vacuum Oil
1935	Humble Oil, Imperial Chemical Industries, Gulf Oil, Great Atlantic & Pacific, Park Davis
1940	Humble Oil, Gulf Oil, Alcoa, Great Atlantic & Pacific, New England Telephone & Telegraph
1945	Humble Oil, Imperial Chemical, British Petroleum, Alcoa, Great Atlantic & Pacific
1950	Humble Oil, Mountain States Telephone, Alcoa, Cities Service, Bell Telephone of Canada
1955	Humble Oil, British Petroleum, Imperial Chemical, Mountain States Telephone, Insurance Co. of North America
1960	Imperial Chemical, British Petroleum, Bell Telephone of Canada, Mountain States Telephor New England Telephone and Telegraph.

Table 2. Five Largest Companies Listed on the Curb/AMEX, 1921 to 1960

As Table 2 illustrates, oil companies, telephone companies and foreign companies were among the largest companies that were listed on the Curb/AMEX between 1921 and 1960. Most of these companies eventually moved over to the NYSE and most of them became part of the S&P Composite.

Year	Company	Market Cap
1921	Standard Oil of Indiana	303
1925	Standard Oil of Indiana	610
1929	Standard Oil of Indiana	910
1935	Humble Oil & Refining Co.	575
1940	Humble Oil & Refining Co.	555
1945	Humble Oil & Refining Co.	899
1950	Humble Oil & Refining Co.	1851
1955	Humble Oil & Refining Co.	4580
1960	Imperial Chemical Industries	2215

Table 3. Largest Company on the Curb/AMEX by Market Cap

The largest company that was listed on the AMEX every five years with its market capitalization is provided in Table 3. Standard Oil of Indiana, later renamed Amoco, and Humble Oil & Refining were consistently the largest companies on the exchange. Standard Oil of Indiana moved to the NYSE in 1934 and Humble Oil was acquired by Standard Oil of New Jersey in 1959.

We ranked the Curb/AMEX stocks by capitalization and included the top 25 by capitalization until 1922 and the top 50 beginning in 1923. During the 1910s and 1920s, Standard Oil stocks represented a large portion of the total capitalization and contributed to the outperformance of the AMEX index over the S&P Composite until 1921. One stock that we decided to exclude from the constituents in the 1950s was Creole Petroleum. It represented a large portion of the market cap of the top 50 companies between 1947 and 1957, and Standard Oil of New Jersey owned 93% of the company's outstanding stock, which meant that the float on the stock was rather limited.

We included both stocks that listed on the Curb/AMEX and graduated to the NYSE and stocks that remained on the Curb/AMEX until they delisted. Each year, several dozen stocks would move off of the Curb and onto the NYSE. Other companies merged, were acquired or liquidated. Around 50 stocks were removed from the exchange each year in the 1940s reducing the total number of listed stocks during that decade, but in the 1950s and 1960s, more stocks listed on the AMEX than were removed each year and the number of issues grew. Stocks only moved from the NYSE to the Curb because the company went bankrupt, had multiple classes of stock, or no longer met the listing requirements for the NYSE. Although there were a number of oil and mining stocks that listed on the Curb in the 1910s and 1920s, by the 1930s, the constituents were fairly evenly distributed between the different sectors with consumer and Industrial stocks being particularly well represented.

GFD's Curb/AMEX-50 Index

Figure 1 compares the performance of the Curb/AMEX stocks with the S&P 500 from June 1921 when the Curb moved into its new building in Trinity Place until 1963 when the AMEX began calculating the AMEX Price Level Index. Although the difference in the two indices is small, the Curb/AMEX-50 index outperformed the S&P Composite over time. The index ranked all the stocks that were listed on the Curb/AMEX each January and used the 25 companies with the highest market cap between 1914 and 1922 and the 50 companies with the highest market cap between 1923 and 1963. The index was calculating for each year and then each year was chain-linked to the previous year's index.

Successful companies that were listed on the AMEX "graduated" to the NYSE. These companies helped the AMEX index to outperform the S&P Composite. When we calculated an index that only included companies that stayed on the AMEX and excluded the companies that graduated to the NYSE, that index clearly underperformed the S&P Composite. It is interesting that despite the fact that the S&P Composite included the 90 largest companies on the NYSE and the Curb/AMEX index included the 50 largest companies that were listed on the Curb, there was very little difference in the performance. This reinforces the fact that when you invest is more important than what you invest in.

Figure 1. AMEX and S&P Composite Indices, 1921 to 1963

There was little difference in the performance of the two indices in bull and bear markets. The

AMEX index rose by 395% between 1921 and 1929 and declined 84% between 1929 and 1932. The S&P Composite rose by 409% between 1921 and 1929 and declined by 86% between 1929 and 1932. Between 1921 and 1962, the AMEX Price index rose 5.98% per annum and the Return index rose 10.2% while the S&P Composite rose 5.74% per annum and the return index rose 11.2%. This produced a dividend yield of 3.98% on the AMEX and 5.16% on the S&P Composite. Given the dramatic differences in the underlying stocks, the similarity in returns is remarkable.

Bottom	Change	Top	Change
1/31/1914		1/31/1917	77.27
12/31/1917	-27.87	12/31/1919	49.07
7/31/1921	-30.82	8/31/1929	395.58
5/31/1932	-83.99	8/31/1932	51.26
3/31/1933	-24.49	1/31/1937	204.25
4/30/1942	-49.18	5/31/1946	149.43
6/30/1949	-24.05	7/31/1956	214.88
2/28/1958	-20.59	4/30/1961	95.91
6/30/1962	-25.70	4/21/1966	242.79

Table 4. Bull and Bear Markets on the AMEX, 1914 to 1966

Table 5 compares the returns to GFD's AMEX Index and the S&P Composite between 1914 and 1963, providing price and return values at five-year intervals for both GFD's AMEX index and the S&P Composite. Although the returns differed before the Curb moved into its new building at Trinity Place, after 1925 there was little difference in the returns between the two indices.

Years	AMEX Index		S&P Composite	
	Price	Return	Price	Return
1914-1919	13.93	19.29	4.19	10.82
1919-1924	4.31	8.48	2.79	9.03
1924-1929	13.27	17.50	15.68	20.85
1929-1934	-13.77	-10.36	-15.04	-10.60
1934-1939	5.64	9.50	5.64	10.81
1939-1944	2.50	7.57	1.23	7.65
1944-1949	5.81	10.19	4.76	10.35
1949-1954	16.23	21.17	16.51	23.77
1954-1959	9.48	12.73	10.73	14.92
1959-1963	6.16	7.77	5.79	9.74

Table 5. Annual Returns to the AMEX and the S&P Composite at 5-year Intervals, 1914 to 1963

Conclusion

Until now, there has been no way of knowing how well or how poorly American companies that were not listed on the New York Stock Exchange performed relative to the New York Stock Exchange. GFD has collected data on all the stocks that were listed on the Curb/AMEX between 1921 and 1962 and has created an index of these stocks so their performance can be directly compared to the S&P Composite. We found that despite the large difference in the constituent members of the two indices, there was little difference in the returns to the 50 stocks in GFD's AMEX index and S&P's Composite Index. This shows that it isn't where you invest, but when you invest that best determines the returns to your portfolio.