

# Stock Market Indicators

## Topics to be Discussed

Dow Jones Averages  
The NASDAQ Indexes  
The Standard & Poor's Indexes  
Other Indexes

## Dow Jones Averages - 2007

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Average	Close	% Change
30 Industrial	13264.82	+ 6.4
20 Transportation	4570.55	+ 0.2
15 Utilities	532.53	+16.6
65 Composite	4304.05	+ 6.6

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### Dow Jones Industrial Average

- ☛ initially consisted of 11 companies
- ☛ a price-weighted index
- ☛ currently consists of 30 companies
  - divisor
    - ⇒ Averages are compiled daily by using the following divisors: Industrial, 0.123017848; Transportation, 0.20882618; Utilities, 1.42340771
- ☛ no adjustment made for cash dividends

### Criticism of the Dow-Jones Averages

- ☛ number of firms included in the average is too small
- ☛ until 1928 no adjustment for stock splits
- ☛ when new issues added, continuity of average disrupted

**NASDAQ Composite Index - 2007**


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Average	Net	%
Composite	Close	Change
	2652.28	+ 9.8

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## NASDAQ Index

## Composite

- ☛ a composite index of more than 3,000 securities, more than most other stock market indices
- ☛ a valued-weighted index
- ☛ base of 100 on February 5, 1971
- ☛ heavily weighted in technology and internet stocks
- ☛ companies on NASDAQ tend to be more speculative and risky, thus the Nasdaq Composite Index is much more volatile than other broad indexes.

**Standard & Poor's Indexes - 2007**


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Average	Close	Change
500 Index	1468.36	+ 3.5
MidCap 400	858.20	+ 6.7
SmallCap 600	395.14	- 1.2

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## Standard &amp; Poor's Index

## ☛ S&amp;P 500

- based on 500 stocks
  - 400 industrial
  - 40 utilities
  - 20 transportation
  - 40 financial
- 500 most widely held companies
- 500 companies comprise 75% of U. S. market
- top 45 companies comprise 50% of index value
- 25 – 50 changes made each year because of mergers and fallouts
- market weighted (value weighted) indexes
- base of 10 as of December 31, 1943

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**Standard & Poor's Indexes – 2007 (continued)**


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Average	Close	Change
500 Index	1468.36	+ 3.5
MidCap 400	858.20	+ 6.7
SmallCap 600	395.14	- 1.2

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**Standard & Poor's Index**

## ☛ MidCap 400

- introduced in 1991
- market cap range between \$1 billion - \$4 billion

## ☛ SmallCap 600

- introduced in 1994
- market cap range between \$300 million - \$1 billion
- measures a segment of the market that is typically renowned for poor trading liquidity and financial instability

**Others - 2007**


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Average	Close	% Change
NYSE Composite	9740.32	+ 6.6
Russell 2000	766.03	- 2.8
Dow Jones Wilshire 5000	14819.58	+ 3.9
Amex Composite	2409.62	+17.2
Value Line	440.28	- 0.5

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**NYSE Composite Index**

- ☛ includes all common stock listed on the NYSE
- ☛ a market weighted (value weighted) index
- ☛ base of 50 as of December 31, 1965
- ☛ note - this is not average change in price of NYSE stock
- ☛ because index is value weighted, the issues of large companies control major movements in the index

## Others – 2007 (continued)

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NYSE Composite		9740.32	+ 6.6
Russell 2000		766.03	- 2.8
Dow Jones Wilshire 5000		14819.58	+ 3.9
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Value Line		440.28	- 0.5

## Russell 2000

- ☛ 2,000 stocks
- ☛ 2,000 small capitalization companies
- ☛ Market weighted (value weighted) index
- ☛ Base of 100 in 1979
- ☛ tends to have winning streaks and losing streaks; when small caps are in favor, it tends to perform very well while the index does poor for long periods of time when small caps are not performing well

## Wilshire 5000 Equity

- ☛ 6,500+ stocks
- ☛ broad cross section of exchanges and Nasdaq
- ☛ market weighted (value weighted) index
- ☛ only includes companies headquartered in the U. S.; leaves out many strong foreign companies
- ☛ the top 10% of the companies in the index account for over 75% of the index value

## Amex Composite

- ☛ reflects the aggregate market value of all stocks traded on Amex
- ☛ not altered by stock splits, stock dividends, nor is it affected by new listings, additional issuances, or delistings
- ☛ base of 550 on December 29, 1995

## Value Line

- ☛ 1,700 stocks
- ☛ broad cross section of exchanges and OTC
- ☛ equal weighted - average % change
- ☛ base of 100 on June 30, 1961