

# Stock Market Indicators

## Topics to be Discussed

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

## Dow Jones Averages - 2008

Average	Close	% Change
30 Industrial	8776.39	-33.8
20 Transportation	3537.15	-22.6
15 Utilities	370.76	-30.4
65 Composite	3086.07	-29.8

### 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, 0.1255529090; Transportation, 0.1939921920; Utilities, 1.2431030700
- ☛ 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 – 2008**

Average Composite	Net Close	% Change
	1,577.03	-40.5

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 - 2008**

Average	Close	Change
500 Index	903.25	-38.5
MidCap 400	538.28	-37.3
SmallCap 600	268.73	-32.0

Standard & Poor’s Index

☛ S&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

## Standard &amp; Poor's Indexes – 2008 (continued)

Average	Close	Change
500 Index	903.25	-38.5
MidCap 400	538.28	-37.3
SmallCap 600	268.73	-32.0

## Standard &amp; 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 - 2008

Average	Close	% Change
NYSE Composite	5757.05	-40.9
Russell 2000	499.45	-34.8
Dow Jones Wilshire 5000	9087.17	-38.7
Amex Composite	1395.53	-42.0
Value Line	225.90	-48.7

## 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 – 2008 (continued)

Average	Close	% Change
NYSE Composite	5757.05	-40.9
Russell 2000	499.45	-34.8
Dow Jones Wilshire 5000	9087.17	-38.7
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Value Line	225.90	-48.7

## 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 Nasdaq
- equal weighted - average % change
- base of 100 on June 30, 1961