

Stock Market Indicators

Topics to be Discussed

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

Dow Jones Averages - 2009

Average	Close	% Change
30 Industrial	10428.05	+18.8
20 Transportation	4099.63	+15.9
15 Utilities	398.01	+ 7.3
65 Composite	3566.68	+15.6

Source: http://online.wsj.com/mdc/public/page/2_3022-usclosingstk-20091231-data.html?mod=mdc_pastcalendar

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, 0.132319125; Transportation, 0.141873793; Utilities, 1.243103070
- ☛ 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 – 2009

Average Composite	Net Close	% Change
	2269.15	+43.9

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 - 2009

Average	Close	Change
500 Index	1115.10	+23.5
MidCap 400	726.67	+35.0
SmallCap 600	332.63	+23.8

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 & Poor's Indexes – 2009 (continued)

Average	Close	Change
500 Index	1115.10	+23.5
MidCap 400	726.67	+35.0
SmallCap 600	332.63	+23.8

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 - 2009

Average	Close	% Change
NYSE Composite	7184.96	+24.8
Russell 2000	625.39	+25.2
Dow Jones Wilshire 5000	11497.40	+26.5
Amex Composite	1824.95	+30.6
Value Line	308.97	+36.8

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 – 2009 (continued)

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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