

National Technical University
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World Stock Indices

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Introduction

A stock market index is a method of measuring a section of the stock market. Many indices are cited by news or financial services firms and are used as benchmarks, to measure the performance of portfolios such as mutual funds.

Alternatively, an index may also be considered as an instrument (after all it can be traded) which derives its value from other instruments or indices. The index may be weighted to reflect the market capitalization of its components, or may be a simple index which merely represents the net change in the prices of the underlying instruments.

Types of Indices

Stock market indices may be classed in many ways. A 'world' or 'global' stock market index includes (typically large) companies without regard for where they are domiciled or traded. Two examples are MSCI World and S&P Global 100.

A 'national' index represents the performance of the stock market of a given nation — and by proxy, reflects investor sentiment on the state of its economy. The most regularly quoted market indices are national indices composed of the stocks of large companies listed on a nation's largest stock exchanges, such as the American S&P 500, the Japanese Nikkei 225, the Russian RTSI, the Indian SENSEX and the British FTSE 100.

Dow Jones Industrial Average

The Dow Jones Industrial Average is an index of 30 "blue chip" stocks of U.S. "industrial" companies. The Index includes substantial industrial companies with a history of successful growth and wide investor interest. The Index includes a wide range of companies — from financial services companies, to computer companies, to retail companies — but does not include any transportation or utility companies, which are included in separate indices. The stocks included in the DJIA are not changed often. Unlike many other indices, the DJIA is not a "weighted" index (that is, the Index does not take market capitalization into account).

$$\text{DJIA} = \frac{\sum p}{d}$$

S&P 500 Composite Stock Price Index

The S&P 500 Composite Stock Price Index is a capitalization-weighted index of 500 stocks intended to be a representative sample of leading companies in leading industries within the U.S. economy. Stocks in the Index are chosen for market size (large-cap), liquidity, and industry group representation.

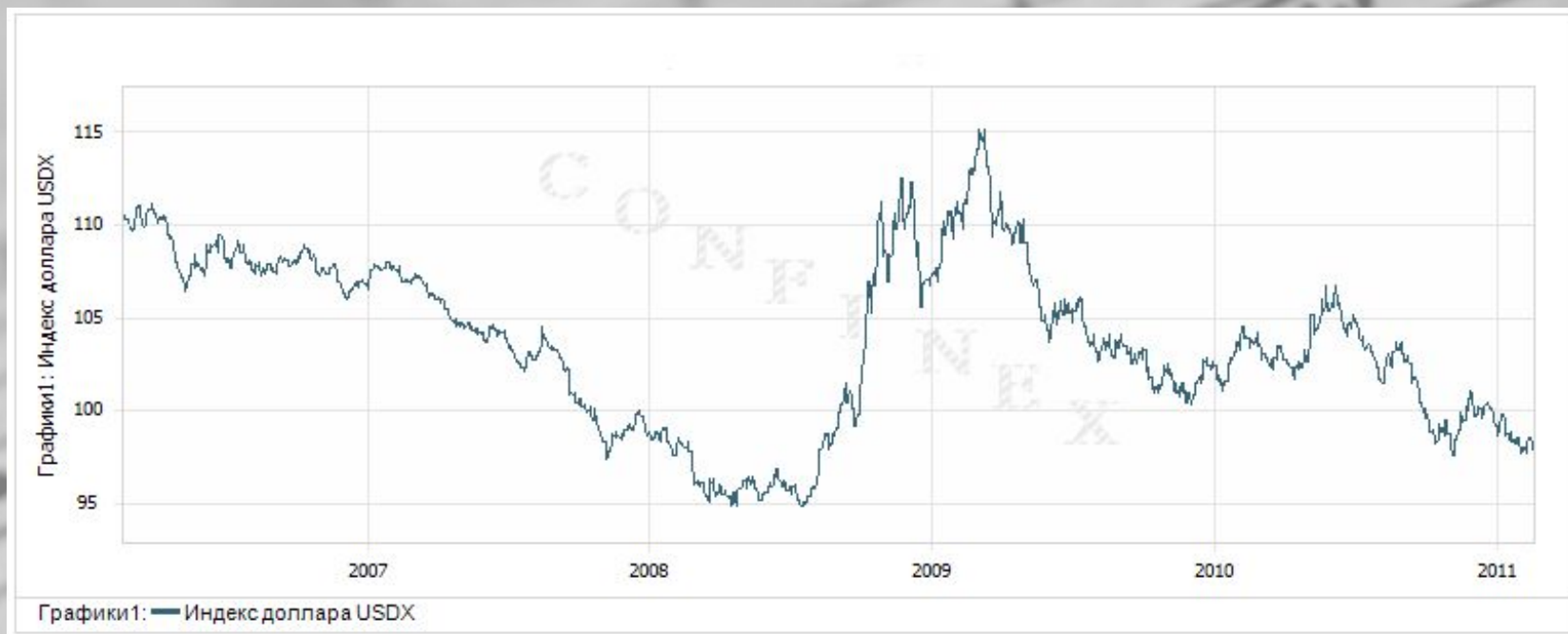
NASDAQ (NASDAQ Composite Index)

Index NASDAQ, average weighted arithmetic index, based on current prices of all shares on which trades are conducted in the NASDAQ. NASDAQ index reflects the situation on the markets of the U.S. high-tech and business community reaction to the political and economic developments of countries that have an impact on the markets of high technology.

The dollar index USDX

The dollar index USDX (USDX or US Dollar Index) is one of the most interesting financial instruments of the international currency market Forex, allowing not only to conduct commercial operations, but also to predict rates of other currency pairs. Just as stock indexes show the general condition of the stock market and the dollar index (USDX) shows the international value of the U.S. dollar. The current value of the dollar index (USDX) – is the average fluctuation of six world currencies (Japanese yen, euro, British pound, Canadian dollar, Swiss franc and Swedish krona) against the U.S. dollar.

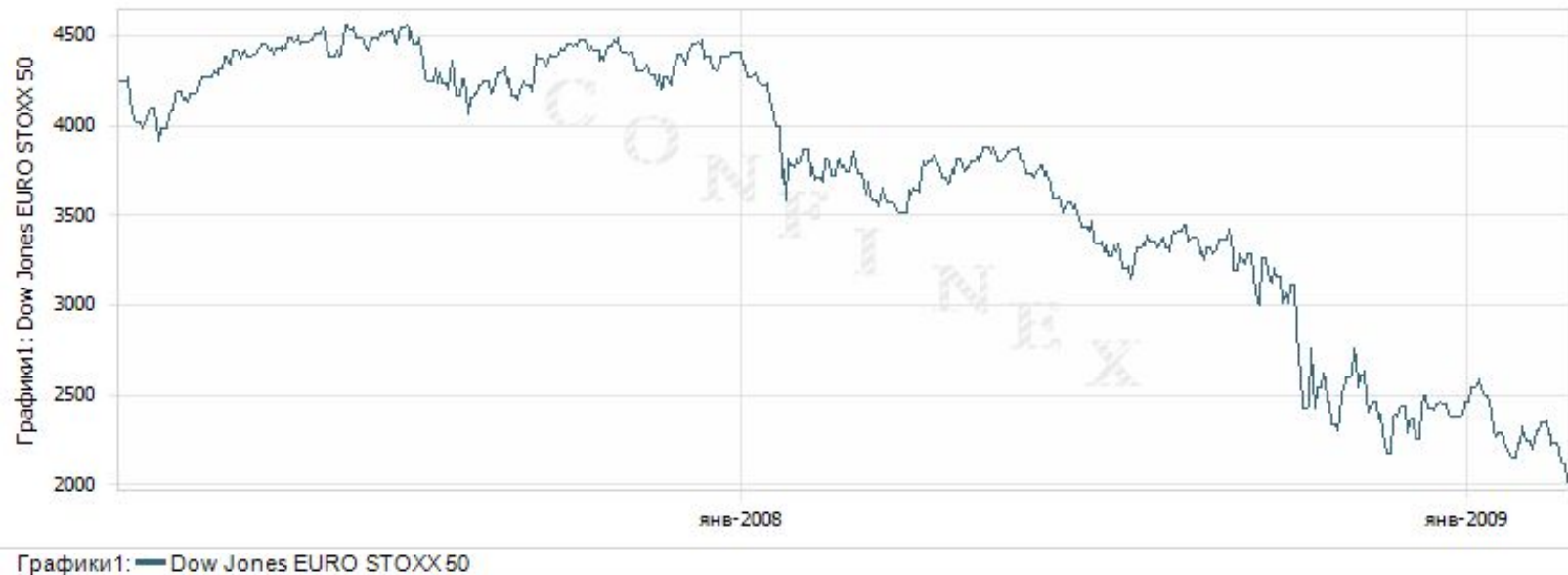
The dollar index USDX



Dow Jones EURO STOXX 50 Index

- Dow Jones EURO STOXX 50 Index – the index of leading eurozone, reflects the state of stocks of 50 companies of 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

Dow Jones EURO STOXX 50 Index



FTSE 100 Index

- FTSE 100 Index (Financial Times Stock Exchange Index)
 - stock market index, calculated by the Agency Financial Times. It is considered one of the most influential stock market indicators in Europe. FTSE 100 Index is calculated on the basis of market value of the 100 largest companies with the largest capitalization. Companies in the FTSE 100, provides about 80% of the capitalization of LSE.

Nikkei225

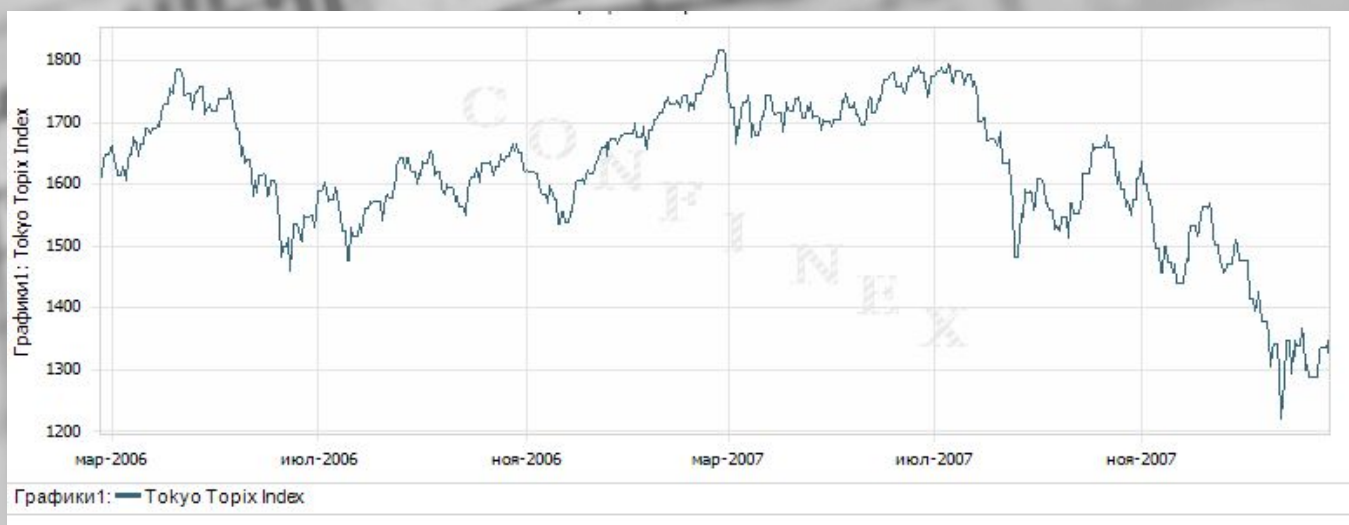
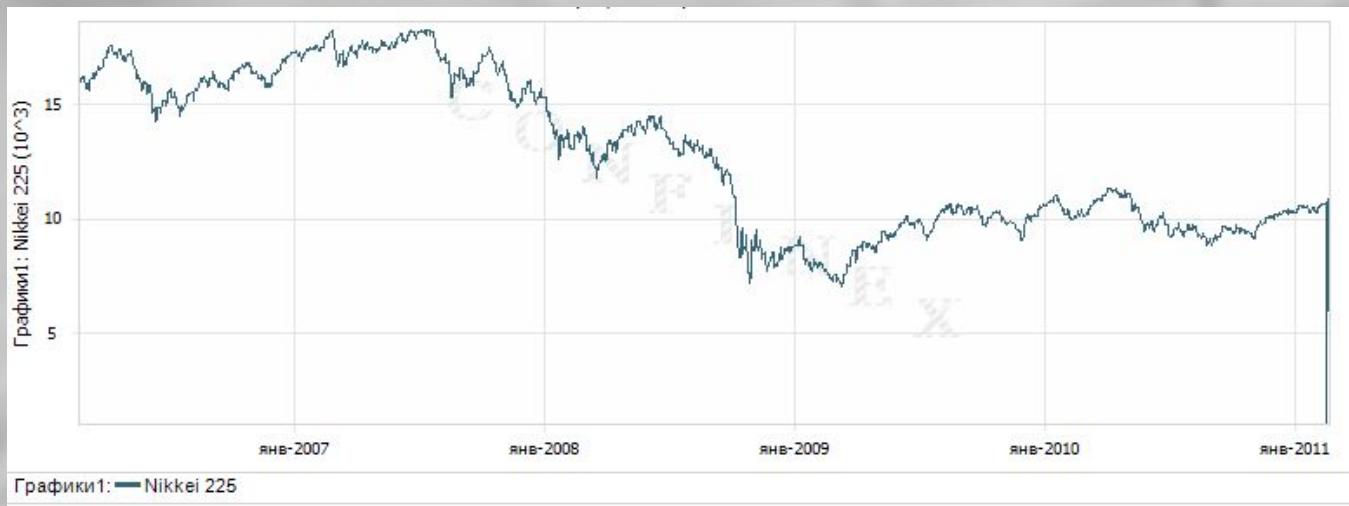
- Nikkey225 - the index represents the weighted average share price of 225 leading companies traded on the Tokyo Stock Exchange (TSE).
- Nikkei 225 is calculated from a selection of 225 domestic common stocks listed on the First Section of TSE. In order to provide accurate market movements and sector balance, constituent review of indices for the Nikkei225 is conducted annually.

Tokyo Topix Index Finance

- Tokyo Topix Index Finance – the capitalization –weighted index of all the companies listed on the First Section (the most secure stocks) of the Tokyo Stock Exchange. It began January 4, 1968 with a based value of 100. It excludes temporary issues and preferred stocks.

$$\text{Index} = \frac{\text{CurrentMarketValue}}{\text{BaseMarket Value}} \times \text{BasePoint}$$

Topix and Nikkey225



Index HSI (Hang Seng Index)

Index HSI (Hang Seng Index) – a leading Asian index. Published by the Hong Kong Stock Exchange. The index itself is considered by HSI Services Limited. 33 stocks included in the listing of the index, up about 70% of the capitalization of all tradable on the editions of it and basically represent the five market sectors – manufacturing, commerce, finance, utilities and land tenure.

Index SSEC

- Index SSEC (Shanghai Stock Exchange Composite Index) tracks the shares of "A" and "B" (these shares are denominated in foreign currency, and may trade them as residents of China, and foreigners) at the largest stock exchange of China – Shanghai Shanghai Stock Exchange (SSE) .

Summary

- If you open the financial pages of many newspapers, you will find a number of major market indices listed. Each of the indices tracks the performance of a specific "basket" of stocks considered to represent a particular market or sector of stock market or the economy.
- There indices for almost every conceivable sector of the economy and stock market were considered. Many investors are familiar with these indices through index funds and exchange-traded funds whose investment objectives are to track the performance of a particular index.