

File Created by [Blogging Rebirth](#) WP Plugin

## [Stock Market Indexes](#)

If you're seriously interested in knowing about Stock Market, you need to think beyond the basics. This informative article takes a closer look at things you need to know about Stock Market.

Put simply, a stock market is the place where people buy and sell shares of stock in publicly traded companies. Brokers connect potential buyers and sellers who agree to transactions at an agreed-upon price.

When the stock market operates the way it should, the most efficiently-run companies will receive more investments than the others who are not. The best businesses will then thrive and those that are not will become extinct or adapt.

Today, stock markets are thriving and are getting more sophisticated. There is now a slow transition of the traditional stock markets (and stock exchanges) into the virtual world and online stocks transactions will all be done online.

For an aspiring investor or a broker wannabe, there are still certain things one should be familiar with in a real-world stock market trading. One of them is the so-called stock index.

### Stock indexes

A stock index is the statistical average of a particular stock exchange or sector. Stocks of parts of the same exchange, or the same industry or the same companies are classified and grouped into indexes.

The most common (and well-known) stock indexes in the U.S. are the Dow Jones Industrial Average, the New York Stock Exchange composite index, and the Standard & Poor 500 Composite Stock Price Index.

Stock indexes are usually studied by experts for a definitive look into the overall perspective of the economic health of a certain industry group or the whole of a stock exchange, for instance.

### Kinds of indexes

Stock indexes are calculated in different ways, each type serving a purpose. Price Weighted Indexes are those that are based solely on the price of stocks. This index group does not consider the importance of any particular stock or the company size.

I trust that what you've read so far has been informative. The following section should go a long way toward clearing up any uncertainty that may remain.

The Market Value Weighted Index is the one that does consider the company size of the stocks group with them. This group considers the price shifts of small companies even if they have less influence than the big ones. Another type, the one that is based on the number of shares rather than the total value is called the Market-share Weighted Index.

### Other index uses

Aside from giving overall outlook on particular economies, indexes are also used as investment instruments. Passively Managed Mutual Funds are mutual funds based on indexes.

Regular managed funds have been found to be outperformed by this index-based passively managed mutual fund.

### The big indexes

The Dow Jones Industrial Average is one of the best-known indexes in the U.S. Presently, it follows the stock movements of 30 of the most influential companies in America.

Dow Jones is considered to be a price-weighted average index because it gives more influence to more expensive stocks. Many analysts say that price-weighting does not really give an accurate picture of the different stock market movements. They also added that 30 companies is still short to form an accurate assessment.

#### S & P 500 Index

S & P 500 Index is based on 500 US corporations that are carefully chosen to represent a much extensive swathe of the country's economic activity. Although regarded as second only to Dow Jones, economic experts feel that it is an accurate predictor of the state and condition of the economy.

All in all, stock indexes have a perfect role to perform in a stock market – an indicator of the market's health or that of its group or even the strength of one particular stock itself in the market.

Is there really any information about Stock Market that is nonessential? We all see things from different angles, so something relatively insignificant to one may be crucial to another.

#### About the Author

By Bibi Apampa, feel free to visit her top ranked site on how to Retire Rich and Retire Happy at [Retire Rich / Retire Happy](#)

You can also find this article published on [Stock Market Indexes](#)