

**EconoMag**  
**The Show that demystifies Economics**  
**Economic indicators – part 2: Stock**  
**Market Indicators©**



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When you hear about stock markets, there are many abbreviations and acronyms, as well as many different indicators, so it's quite easy to get befuddled if you're not familiar with all these different terms. A stock market index is a measurement of the value of a particular section of the stock market. It is calculated from the prices of selected capital stocks, the residual assets of a company. This index is used by investors, traders, financial managers, and even regular people when they describe or comment on the market. And, of course, we must first explain what a stock exchange is. It is a highly organized market where tradable securities, commodities, foreign exchanges and options contracts are bought and sold.

But before delving into this subject, let's look at the history of stock markets. It is commonly accepted that the first-ever modern commodities exchange was the Amsterdam Stock Exchange, established by the Dutch East India Company in 1602. Another city that is commonly accepted as having one of the earliest stock markets is Antwerp in Belgium, while the first stock exchange in France was established in 1724.

In France we have the CAC 40, which stands for Cotation Assistée en Continu. Founded back in 1987, it is the principal index in Paris, and the "quarante" stands for the 40 companies quoted in this index. But even though the CAC 40 is French, it is no longer based in France, at least not in a physical sense, as the Bourse de Paris merged with the New York Stock Exchange: Euronext, which has its headquarters on Wall Street in New York.

The Bourse de Paris is a member of Euronext, the main financial operator regrouping the stock markets of Paris, Amsterdam, Brussels and Lisbon, as well as some smaller stock exchanges in Europe. The Euronext merged with the New York Stock Exchange in 2007. The other main stock markets in Europe are the Financial Times Stock Exchange, commonly known as the "Footsie" 100 Index in London and the DAX *Deutscher Aktienindex* in Germany.

In the United States there is the New York Stock Exchange, as mentioned earlier, and the NASDAQ, the National Association of Securities Dealers Automated Quotations, which is the second largest stock exchange by market capitalization and trading volume behind the New York Stock Exchange. All of these are based in New York, as is the oldest stock market index in the world, the Dow Jones Industrial Average, first calculated back in 1896!

Over in Asia, the main stock market index is called the Nikkei and found in Tokyo. It was the most preeminent stock exchange at the end of the 1980's and beginning of the nineties, but it then plunged during Japan's lost decades. The other important stock markets in Asia are in Hong Kong, Shanghai, Singapore, and Seoul.

