INDICES AND SPREAD

Stock market indices are statistical indicators that track and report the changes in the market value of a selected group (basket) of shares traded on a Stock Exchange, and which represent the whole market or specific industrial markets. They are useful indicators that:

- help to recognise general trends in the market;
- allow investors to allocate their funds rationally among the stocks;
- help analysts to predict the future market trends;
- function as a status report on the general economy.

Indices are classed according to the geographical areas of the traded stocks in the basket, (global, if they include stocks of large companies worldwide, and national, if they are only listed on national stock exchanges), or the method of calculation (market value-weighted, if measured by using the market value of the companies in the basket or price-weighted, if measured by using the unit stock price). Some well-known stock indices are:

- **FTSE 100**, or Footsie, calculated on the 100 biggest companies on the London Stock Exchange by market capitalisation;
- the **Dow Jones**, based on the top 30 companies on the NYSE and NASDAQ;
- **FTSE Mib**, with the 40 biggest Italian companies by market capitalisation;
- the **Standard & Poors 500**, with 500 companies in leading American industries;
- **Nasdaq-100**, which tracks the 100 most actively traded securities on Nasdaq.

Spread means the difference between two comparable measures and in the stock market it refers to the gap between the lowest ask price and the highest bid price for a share. Spread is generally used in economy to compare and evaluate the performance of two similar government bonds. This allows the assessment of a country's reliability and ability to give back the money borrowed through its bonds. A safe bond, such as the German Bund, is often used as a benchmark or term of comparison. A wider spread means a riskier bond.