**INDICES & FOREX**

**Indices**

Some popular indices:-

* ***FTSE 100***
* ***S&amp;P 500***
* ***Dow Jones Industrial Average***
* ***Hange Seng***
* ***DAX***
* ***CAC***
* ***Euronext***

About indices:-

* They indicate many important things like:
  + Stock market confidence
  + Business confidence
  + Economy health
  + Investment health
* If there is **confidence**, the investors will buy shares & overall stock market prices will **tend to rise**.
* Factors influencing stock market:
  + Interest rate changes
  + National budgets
  + Political events
  + Trade
  + Economic performance
* These factors make it difficult to know where the market will move (**up** or **down**).

Indices formation:-

* Indices are also known as ***indexes***.
* These are formed by selecting a **group of companies** whose shares are listed on public stock exchange.

Example 1:-

* **FTSE 100** represents **top 100** largest companies listed on **London Stock Exchange**.
* And they are ranked by measurement of their **market cap**.
* These large companies are often referred as ***blue chip***.
* Level of index is calculated as per the **aggregate price changes**.

Example 2:-

* **S&amp;P 500** similarly includes **top 500** companies listed on **New York Stock Exchange** (NASDAQ).
* **Dow Jones Industrial Average** (The Dow) is based on **top 30** largest stocks on same exchanges.

Facts:-

* **London Stock Exchange** also has smaller company indices like **FTSE 250** & **FTSE 350**.
* When investors will to invest in an index, they buy a fund that holds those stocks in **same proportion** as they were **compiled**.
* Investment fund like **mutual funds** charge fee for **distributing** or **investing funds** to the dividends.
* One can buy options or futures from **derivative products** of indices.

**Forex (FX)**

* **Forex** is traded **US$4 trillion** every working day.
* Forex means **foreign exchange**. It is selling a currency one is holding & buying another one.
* Most of these involve **US Dollars**, **Euro** & **Japanese Yen**.
* Banks make most of the **forex exchanges**.
* Forex **dominates** the trading space.

Major players:-

* Forex is dominated by 5 groups:
  + ***Citigroup***
  + ***Deutsche bank***
  + ***Barclays***
  + ***JP Morgan***
  + ***UBS***
* These occupied **half** of the global forex in 2015.

OTC nature:-

* Forex happens **over the counter**.
* Means trading **doesn’t** happen on stock exchange, but between two parties directly.
* **Spot:** A trading that is done on spot, immediately.
* There are also **forward foreign exchange contracts**.
* Unlike buying share, in forex one will always have the **asset**.
* One **loses money** when trading back to his/her base currency.