

Macro-Events

Other than corporate events, traders and investors need to understand what certain macro-economic events mean and how it will impact the markets.

Since macro-events usually have an impact on the whole market, let's look at how we track the performance of the markets (through Indexes):

Indexes:

The Dow Jones Industrial Average aka "The Dow":

Named after founder, Charles Dow and Edward Jones, this index was invented in 1896.

Used to follow the overall US economy, it incorporates 30 companies

How the index is measured:

Price weighted: Which translates to the higher the stock price, the greater the weight it will have in the index.

S&P 500 Index – Standard and Poor's 500 Index:

This index is based on the market capitalization of 500 large companies listed on NYSE or NASDAQ. The index is market-cap weighted which gives higher weighting to larger companies. This weighting methodology is better than the one used by The Dow. This index is considered the best index that represents the US stock market.
