

UNDERSTANDING INDICES

A stock market index is a single number calculated from the prices of many different stocks. Index is also called indices when you talk about more than one of them. Indices are used as benchmarks of stock performance for portfolios like mutual funds.



Stock indices are used by investors and fund managers as one of the many tools to evaluate the performance of a stock market. The application of indices is now much wider including the use of indices as benchmarks for investor portfolio comparisons and as underlying components of financial products, for example Exchange Traded Funds (ETFs) and derivatives.

Bursa Malaysia Indices

The existing Bursa Malaysia indices are calculated using the market capitalisation weighted method.

Market capitalisation means the total value of a listed company's shares based on the current market price. Therefore, larger companies are given higher weightage compared to the smaller companies.