

The dow jones industrial average essay sample



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The Dow Jones Industrial Average also called the, the Dow Jones Industrial, Dow, is a stock market index, and one of several indices created by Wall Street Journal editor and Dow Jones & Company co-founder Charles Dow. It was founded on May 26, 1896, and is now owned by Dow Jones Indexes, which has its majority owned by the CME Group. The average is named after Dow and one of his business associates, statistician Edward Jones. It is an index that shows how 30 large publicly owned companies based in the United States have traded during a standard trading session in the stock market. It is the second oldest U. S. market index after the Dow Jones Transportation Average, which was also created by Dow. The Industrial portion of the name is largely historical, as many of the modern 30 components have little or nothing to do with traditional heavy industry. The average is price-weighted, and to compensate for the effects of stock splits and other adjustments, it is currently a scaled average.

The value of the Dow is not the actual average of the prices of its component stocks, but rather the sum of the component prices divided by a divisor, which changes whenever one of the component stocks has a stock split or stock dividend, so as to generate a consistent value for the index. Along with the NASDAQ Composite, the S&P 500 Index, and the Russell 2000 Index, the Dow is among the most closely watched U. S. benchmark indices tracking targeted stock market activity. Equivalent indices, such as the FT 30, have largely become redundant in favour of more representative and neutral indices, such as the S&P 100. Although Dow compiled the index to gauge the performance of the industrial sector within the American economy, the index's performance continues to be influenced by not only corporate and

economic reports, but also by domestic and foreign political events such as war and terrorism, as well as by natural disasters that could potentially lead to economic harm.

The table above shows the companies in America that stocks at DJIA

The Dow Jones industrial average in 2008

The Dow Jones industrial average crossed 13, 000 on Tuesday for the first time since before the 2008 financial crisis. The Dow passed 13, 000 about two hours into the trading day, then quickly dropped back. Its last time above 13, 000 during a trading day was May 20, 2008, four months before the Lehman Brothers investment bank went under. US stocks got help from a long-awaited bailout deal for Greece, aimed at preventing a potentially catastrophic default, and from strong corporate earnings reports at home. Just after 11. 30am EST, the Dow was up 43 points at 12, 993. In other trading, the Standard & Poor's 500 were up five points at 1, 366. The Nasdaq composite index was up 10 points at 2, 962.

Market performance

With the current inclusion of only 30 stocks, critics like Ric Edelman argue that the DJIA is not a very accurate representation of overall market performance. Still, it is the most cited and most widely recognized of the stock market indices. Additionally, the DJIA is criticized for being a price-weighted average, which gives higher-priced stocks more influence over the average than their lower-priced counterparts, but takes no account of the relative industry size or market capitalization of the components. For

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example, a \$1 increase in a lower-priced stock can be negated by a \$1 decrease in a much higher-priced stock, even though the lower-priced stock experienced a larger percentage change. In addition, a \$1 move in the smallest component of the DJIA has the same effect as a \$1 move in the largest component of the average.

The Dow would see the negative effects of this price-weighted average during September–October 2008 with a former component AIG. Before its reverse-split adjusted stock price change, the stock collapsed from \$22.76 on September 8 to \$1.35 on October 27; contributing to a roughly 3,000-point drop in the index. As of June 2013, IBM and Chevron are among the highest priced stocks in the average and therefore have the greatest influence on it. Alternately, Bank of America and Alcoa are among the lowest priced stocks in the average and have the least amount of sway in the price movement. Many critics of the DJIA recommend the float-adjusted market-value weighted S&P 500 or the Wilshire 5000, the latter of which includes all U. S. equity securities, as better indicators of the U. S. stock market.

Correlation among components

A quantitative analysis from 72 years of financial data from the Dow Jones Industrial Average reveals that in times of financial crises, stocks start to move in a more synchronised fashion, increasing the risk of a stock portfolio. The research is published in the journal *Scientific Reports*. Financial traders try to reduce the inherent risk of holding only one stock by building portfolios, which carry a lower risk, mainly because individual stocks do not tend to experience daily gains and losses in a completely synchronized

manner. Tobias Preis and colleagues analyzed daily closing prices of the 30 stocks that form the Dow Jones Industrial Average, from March 1939 to the end of 2010. They found that the average correlation between these stocks increased at the same rate as market stresses. Consequently, the diversification effect, which should protect a portfolio, melts away in times of market losses just when it would be needed most.

CISCO Company Description

Cisco Systems, Inc. designs, manufactures, and sells Internet protocol (IP)-based networking and other products related to the communications and information technology (IT) industry and provide services associated with these products and their use. It provides a line of products for transporting data, voice, and video within buildings, across campuses, and around the world. Its products are designed to transform how people connect, communicate, and collaborate. It has five segments: United States and Canada, European Markets, Emerging Markets, Asia Pacific, and Japan. In December 2012, the Company acquired Meraki, Inc. Effective January 31, 2013, the Company acquired Cariden Technologies Inc. Effective February 13, 2013, the Company acquired BroadHop Inc. In February 2013, it acquired Intucell. In May 2013, the Company acquired Ubiquisys. Cisco (ticker symbol: CSCO) is the world's largest supplier of networking equipment and systems, playing an important role in a wide variety of computing fields. The company was founded in 1984 in San Francisco, California, by a pair of Stanford University computer engineers - Len Bosack and Sandy Lerner.

The two named the company after a common nickname for San Francisco. Entering the market as computers began to play a more widespread role in business, Cisco focused on developing routers. In particular, the company emphasized the development of multiple-protocol routers, eventually expanding into Ethernet switching after the acquisition of several companies in that field. Cisco's strong pursuit of service providers in the early days of the internet provided it a dominant market position in the late 1990s and early 2000s, at one point becoming the most valuable company in the world. Routers, switches and other network systems still account for a significant proportion of Cisco's overall product offerings, but its portfolio has since expanded to include software services such as security and video conferencing.

The company still largely targets businesses, but its Linksys access points and switches are a prominent part of the consumer market. Since its founding 30 years ago, Cisco has migrated away from its namesake, moving its headquarters south to 170 West Tasman Drive, San Jose, California 95134. However, with 60, 000 employees the company features locations around the world, including a major presence in India with its Globalisation Centre East in Bangalore. Despite strong recent performance, Cisco still faces a wide variety of risk factors, including uncertain demand for network products during economic downturns, growing challenges from domestic and international competitors and potential supply chain interruptions.

Valuation

P/E Current 16. 33

P/E Ratio (with extraordinary items) 13. 61

P/E Ratio (without extraordinary items) 10. 53

Price to Sales Ratio 1. 83

Price to Book Ratio 1. 62

Price to Cash Flow Ratio 7. 38

Enterprise Value to EBITDA 7. 52

Enterprise Value to Sales 2. 04

Total Debt to Enterprise Value 0. 31

Profitability

Gross Margin 60. 43

Operating Margin 22. 57

Pretax Margin 22. 06

Net Margin 17. 46

Return on Assets 8. 99

Return on Equity 16. 32

Return on Total Capital 12. 21

Return on Invested Capital 12. 27

Capital Structure

Total Debt to Total Equity 31. 84

Total Debt to Total Capital 24. 15

Total Debt to Total Assets 17. 79

Long-Term Debt to Equity 31. 78

Long-Term Debt to Total Capital 24. 10

Efficiency

Receivables Turnover 5.82

Total Asset Turnover 0.52

Liquidity

Current Ratio 3.49

Quick Ratio 3.40

Cash Ratio 2.75

HEWLETT-PACKARD COMPANY PROFILE

The Hewlett-Packard Company or HP is an American multinational information technology corporation headquartered in Palo Alto, California, United States. It provides products, technologies, software, solutions and services to consumers, small- and medium-sized businesses (SMBs) and large enterprises, including customers in the government, health and education sectors. The company was founded in a one-car garage in Palo Alto by William “ Bill” Redington Hewlett and Dave Packard. HP is the world’s leading PC manufacturer and has been since 2007, fending off a challenge by Chinese manufacturer Lenovo, according to Gartner. It specializes in developing and manufacturing computing, data storage, and networking hardware, designing software and delivering services. Major product lines include personal computing devices, enterprise and industry standard servers, related storage devices, networking products, software and a diverse range of printers and other imaging products. HP markets its products to households, small- to medium-sized businesses and enterprises

directly as well as via online distribution, consumer-electronics and office-supply retailers, software partners and major technology vendors. HP also has strong services and consulting business around its products and partner products.

In 2012 it was the world's largest PC vendor by unit sales. Major company events have included the spin-off of part of its business as Agilent Technologies in 1999, its merger with Compaq in 2002, the sponsor of Mission: Space in 2003, and the acquisition of EDS in 2008, which led to combined revenues of \$118. 4 billion in 2008 and a Fortune 500 ranking of 9 in 2009. In November 2009, HP announced the acquisition of 3Com, with the deal closing on April 12, 2010. On April 28, 2010, HP announced the buyout of Palm for \$1. 2 billion. On September 2, 2010, HP won its bidding war for 3PAR with a \$33 a share offer (\$2. 07 billion), which Dell declined to match. Hewlett-Packard is not affiliated with Packard Motor Car Corporation, founded by James Ward Packard and William Doud Packard, or with Packard Bell. Financial Highlights

Fiscal Year End: October

Revenue (2012): 120357. 00

MRevenue Growth (1 yr):(-5. 40%)

Employees (2012): 331, 800

Employee Growth (1 yr):(-5. 10%)

1 Year Target: 24

Today's High/Low: \$ 25. 10 / \$ 24. 80

Share Volume: 9, 981, 110 90

Day Avg. Daily Volume 23, 002, 277

Previous Close: \$ 24. 80 52

Week High /Low: \$ 25. 87 / \$ 11. 35

Market cap \$ 48, 078, 793, 582

P/E Ratio: NE Forward P/E(1y) 6. 99

Earnings Per Share (EPS) \$ -6. 80

Annualized dividend \$ 0. 5808

Ex Dividend Date Jun. 10, 2013

Dividend Payment Date Jul. 3, 2013

Current Yield 2. 34 % Beta 0. 64

Why Hewlett-Packard Shares Are Soaring Today

By Alex Dumortier, CFA May 23, 2013

Following what seemed to be a relentless upward march in stock prices, we may be witnessing a shift in sentiment and the start of a period in which prices get reacquainted with downward volatility. U. S. stocks fell 0. 8% yesterday, and they opened lower this morning, with the S&P 500 (SNPINDEX: ^GSPC) and the narrower, price-weighted Dow Jones Industrial Average (DJINDICES: ^DJI) down 0. 84% and 0. 62%, respectively, at 10: 05 a. m. EDT. Still, that's nothing compared to Japan's Nikkei 225, which fell 7. 3% today! Hewlett-Packard beats the Street

What a difference a quarter makes. Dow component Hewlett-Packard (NYSE: HPQ) reported its quarterly results after yesterday's close, and investors seem to like what they see, sending the shares up 13% (in a market that is broadly declining, no less). Nonetheless, that HP's results should impress investors reflects the scale of the PC industry's predicament. Sure, operating profit of \$0. 87 per share beat Wall Street's consensus estimate of \$0. 81, but at \$0. 55 per share, net income fell by nearly a third. The following graph shows HP's year-to-date total return relative to its closest peer, Dell, and the broad market (you can make out this morning's price spike at the very end of HP's graph): [pic]

The Death of the PC

The days of paying for costly software upgrades are numbered. The PC will soon be obsolete. And Business Week reports 70% of Americans are already using the technology that will replace it. Merrill Lynch calls it " a \$160 billion tsunami." Computing giants including IBM, Yahoo!, and Amazon are racing to be the first to cash in on this PC-killing revolution. Yet, a small group of little-known companies have a huge head start. Get the full details on these companies, and the technology that is destroying the PC, in a free video from The Motley Fool.

Reference

<http://www.nasdaq.com/symbol/hpq#ixzz2XpnfX7HT>