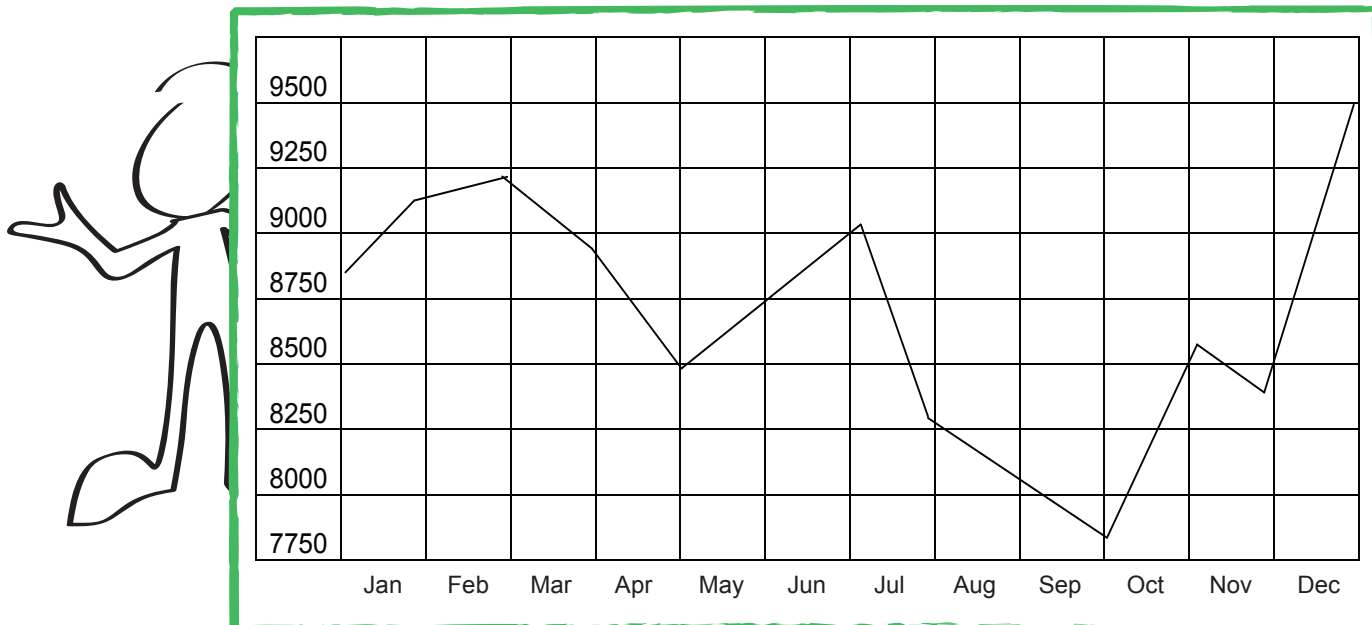


Answer Key: Interpreting the Dow Jones

The United States has three major stock indices. Each one measures the health of an aspect of the American economy. One is the Dow Jones Industrial Average. Another is the NASDAQ Composite. The third is the S & P 500 (Standard and Poor's 500). The Dow Jones represents the largest and most widely public companies in the United States. Since it covers every important sector in the economy, most economists watch the Dow closely. When the Dow is high and going up, it usually means the American economy is doing well. When the Dow is low and going down, it usually means the American economy is struggling.

Interpret this sample Dow Jones index for 12 months.



1. Which month was the Dow the highest?

Answer: December

2. Which month was the Dow the lowest?

Answer: September

3. Over which months did the Dow suffer its biggest declines?

Answer: Between June and September

(continued)

Answer Key: Interpreting the Dow Jones

4. Over which months did the Dow experience its biggest gains?

Answer: Between November and December

5. From this example, would you say the economy is strong or weak? Why?

Answer: It's unstable. There's a lot of jumping around. We also would need to know more about what the Dow looked like in the past five years to determine whether it's getting stronger or weaker. The jump to December is a good sign, but it's also a big jump within a short time.