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INVESTORS STRIKE GOLD WITH S&P 500 INDEX

Russ Wiles, The Arizona Republic

The Dow Jones industrial average grabs the headlines, but the Standard & Poor's 500 index is the stock-market barometer most relevant to investors. About \$4.5 trillion of mutual-fund, pension and other money is directly tied, invested or otherwise benchmarked to the S&P 500, the most of any market barometer.

The S&P 500, which turned 50 years old this month, is a capitalization-weighted index, meaning companies with the highest stock market worth in the index exert the greatest influence on its performance. Although the index tracks the prices of 500 stocks, the 10 biggest account for 20 percent of overall results, a feature that has opened it to some criticism.

"It overweights large companies and tends to overweight stocks that are overvalued," Scottsdale investment adviser David Daughtrey said.

Only 86 of the original 500 stocks are still included in the index, the rest having been removed because of mergers, bankruptcies, privatizations and the like. Phelps Dodge Corp. was the only Arizona-based company of those original 86 -- until its acquisition this month by Freeport-McMoRan Copper & Gold Inc.

S&P Top 10 companies

The S&P 500 encompasses 500 of the nation's largest companies.

Here's the top 10:

- * Exxon Mobil Corp.
- * General Electric Co.
- * Citigroup Inc.
- * Microsoft Corp.
- * Bank of America Corp.
- * Procter & Gamble Co.
- * Johnson & Johnson
- * Pfizer Inc.
- * American International Group.
- * Altria Group Inc.

Fun facts about the S&P 500

- * Its record-high close was 1,527 on March 24, 2000.

* Its best and worst days came roughly 48 hours apart: a record 20.5 percent plunge on Oct. 19, 1987, was followed by a record 9.1 percent surge on Oct. 21, 1987.

* Stocks are added and deleted from the index by analysts and economists working at Standard & Poor's Corp.

VOICES

Financial advisers tend to favor the S&P 500 over the Dow Jones industrial average, which tracks only 30 stocks.

We use the S&P 500 over the Dow when talking to our clients. The Dow can be swung much more easily by the performance of one stock that does really well or poorly."

Russell Biehl

Robinson, Tighe, Sponcil & Associates, Phoenix

It's more diversified than the Dow,

representing more than 70 percent of the entire stock market's value. It's a good core holding for anyone."

David Fernandez

Wealth Engineering, Scottsdale

The S&P 500 provides a much better

picture of what the stock market is doing than the Dow."

Grace Lau

PacWest Financial Management, Phoenix

The S&P 500 is broader than the Dow, which can be very misleading as a gauge of the real direction of the market."

Rose Papp

L. Roy Papp & Associates, Phoenix

CAPTION: 50-year jubilee for the S&P

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