

# 1 Stock Market: A Comparative Study between S&P 500 and DSE 2 General Index

3 Iftakhar Parvej<sup>1</sup>

4 <sup>1</sup> Pabna University of Science and Technology

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## 7 Abstract

8 A healthy financial sector is crucial for economic growth. The stock market to an economy,  
9 what a clinical thermometer is to a human body, reflects the health of the economy. Again,  
10 the economy of the developed countries always has a great impact on the other economically  
11 weak countries. In this study our aim is to compare SP 500 Index and DSE General Index,  
12 which may tell about the major similarity and dissimilarity about the compared stock  
13 markets. Here, to compare the stock markets we take volatility comparison, different time  
14 series models and so on.

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16 *Index terms*— , DSE general index and volatility.

## 17 1 Introduction

18 apital formation is very core of economic development. No economic development is possible without capital  
19 formation. Capital formation indeed plays a decisive role in determining the level and growth of national income,  
20 hence economic development. Thus, in any programme of planned economic development capital formation must  
21 be assigned a significant role on account of a very close connection between economic growth and capital growth.  
22 [see also ??ewett, ?? K.,..

23 For any country one of the most important sources of capital formation is financial market of that country.  
24 Financial markets also play a crucial role in helping individuals or corporations invest in financial assets. They  
25 offer alternative investment opportunities for individuals or corporations with excess funds. The main participants  
26 in financial market transactions are households, business (including financial institutions), and governments that  
27 purchase or sell financial assets. Financial markets facilitate the flow of funds form surplus units of deficit units.  
28 Those financial markets that facilitate the flow of short-term funds (with maturities of less than one year) are  
29 known as money markets, while those that facilitate the flow of long-term funds are known as capital markets.

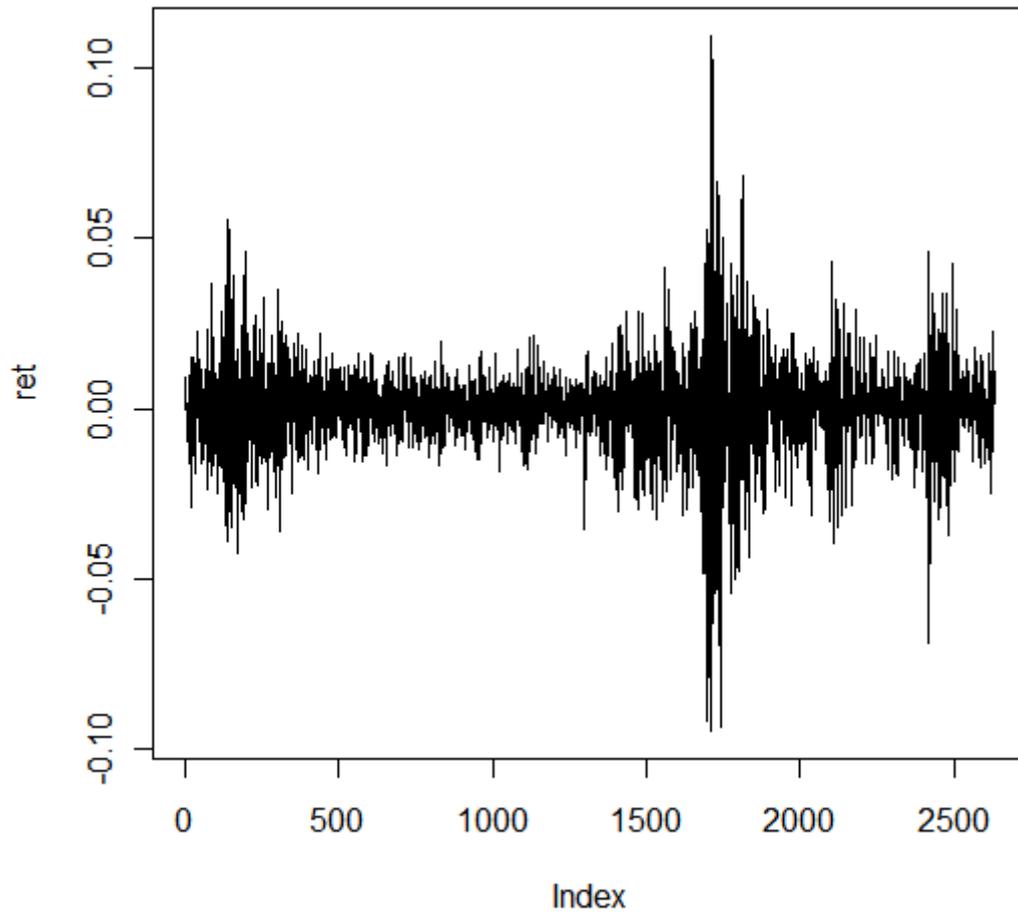
30 Securities with a maturity of one year or less are called money market securities, whereas securities with a  
31 maturity of more than one year are called capital market securities. [see also Madura, J.,(1998)] Three common  
32 types of capital market securities are bonds, mortgages, and stocks. The stock market is a pivotal institution  
33 in the financial system of a country. Stock market tends to very efficient in the allocation of capital to its  
34 highestvalue users. These markets also help increase savings and investment, which are essential for economic  
35 development. [see also Madura, J., pp. (1998)]. Stock markets are categorized as efficient or inefficient or less  
36 efficient market where an efficient market is one which reacts quickly and in an unbiased manner to the release  
37 information. Stock market tends to very efficient in the allocation of capital to its highestvalue users. These  
38 markets also help increase savings and investment, which are essential for economic development. An equity  
39 market, by allowing diversification across a variety of assets, helps reduce the risk the investors must bear, thus  
40 reducing the cost of capital, which in turn spurs investment and economic growth.

41 The stock market plays a vital role on financial condition of any country. There is a great impact of the  
42 1987 stock market crash on financial markets all over the world. On October19, 1987, the Dow Jones industrial  
43 Average declined to 1798.42 form 2246.74 on the previous trading day. This represents a 22.6 percent decline,



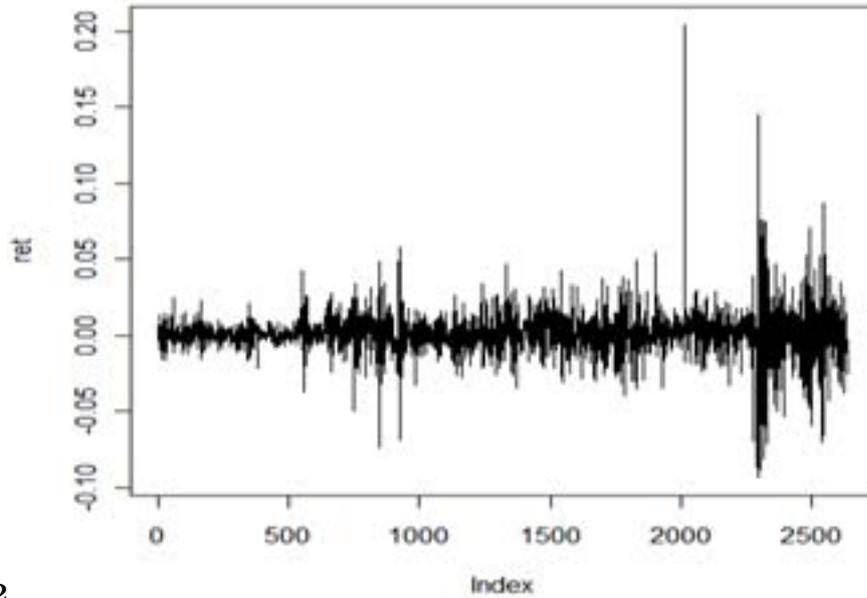


Figure 1:



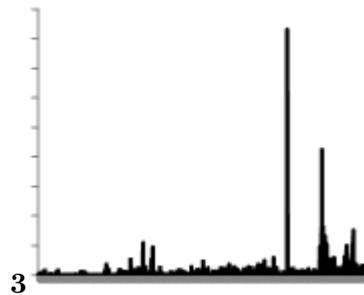
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Figure 2: Figure 1 :



2

Figure 3: Figure 2 :



3

Figure 4: Figure 3 :

a) DSE General Index

Bangladesh capital market is one of the smallest in Asia but the third largest in the south Asia region. It has two full-fledged automated stock exchanges namely Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). Both the stock markets are operated by Security and Exchange Commission (SEC).

Dhaka Stock Exchange (Generally known as DSE) is

Figure 5:

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Figure 6: Table 1 :

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**2**

[Note: © 2013 Global Journals Inc. (US)]

Figure 7: Table 2 :

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Figure 8:

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Figure 9: Table 3 :



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