Dark Blue: S&P 500       Green: Bank of American Corp (BAC)
• B of A dropped more than 80% from early 2008 to early 2009...up 20% since
• Individual stocks much more volatile than aggregate of S and P
S&P: 500 stocks

The **S&P 500** is a *free-float capitalization-weighted index* published since 1957 of the prices of 500 *large-cap common stocks* actively traded in the *United States*. The stocks included in the S&P 500 are those of large publicly held *companies* that trade on either of the two largest American stock market exchanges; the *New York Stock Exchange* and the *NASDAQ*. 
The technology-heavy NASDAQ Composite index peaked at 5,048 in March 2000, reflecting the high point of the dot-com bubble. 1996=1000; jumped 5 times in 4 years. Why? Collapsed to just above 1000 by late 2002. Why?
• **Stock Market Crash of 1987**

  This crash occurred on October 19, 1987, now called the Black Monday. On this day, the Dow Jones Industrial Average slipped more than 500 points, or 22% of its value. Other indices were also affected badly - the S&P500 lost 20% and the NASDAQ Composite fell 11%. Why NASDAQ didn't fall as much as the other two was probably because the underlying market making system failed and the system was totally deadlocked. So far, the 1987 stock market crash is the largest one-day decline in history.
• **Stock Market Crash of 1929**

• October 24, 1929, known as the Black Thursday, marked the start of the crash of 1929. This was followed by Black Monday and Tuesday, the very next week. The Dow Jones Industrial Average fell more than 20% just on Monday and Tuesday alone. By mid-November, the index had dropped by around 40% compared to its peak just a couple of months ago. The index lost almost 90% of its value, before it began a gradual uptrend in mid-1932.
And let’s not forget Japan...reached 40,000 on December 31, 1989...and still is just above 10,000...

**Nikkei 225(1970-)**
This graph charts the behavior over time of four interest rates in the United States. Each is a real rate—the nominal rate minus inflation over the previous year. The broad movements in the four interest rates are similar over time.

Source: Federal Reserve Bank of St. Louis
Real interest rates in the three countries examined here follow the same broad pattern over time. (The real interest rate for each country is the nominal rate on 3-month government bonds minus inflation over the previous year.)

*Source: International Monetary Fund*
For the 1990s, this graph plots average inflation and the average nominal interest rate on 3-month government bonds in 41 countries. The graph illustrates the Fisher effect: higher inflation raises the nominal interest rate.

Source: International Monetary Fund
FIGURE 5.1 Purchasing Boeing Stock on the NYSE
FIGURE 5.3 The Risk–Return Trade-Off