

explainity explains: DAX

Stock exchange prices are often talked about enthusiastically on business news. The anchor says things like: “Today, the DAX closed at 10,000 points.” Unfortunately, to many, that’s as clear as mud. That’s why we are taking a closer look at... noooo, not dachshunds, a closer look at: The DAX.

DAX stands for “Deutscher Aktienindex” or in English “German Stock Index”, the most important stock index in Germany. The DAX represents the 30 largest and financially strongest companies in the German stock market. From September 2021, it’s even going to expand to the 40 largest.

The DAX includes large insurance companies, car manufacturers, communication providers and manufacturing companies. To join the DAX, a company needs to have had a positive operating profit over the last two years.

If their figures aren’t submitted on a regular basis or they fall short of the requirements, the company could be excluded.

A lot of countries have their own leading index: the most well-known ones are the USA’s Dow Jones for American stock companies, or the Nikkei in Japan.

The DAX was introduced on July 1st, 1988. Back then, its starting value was set at 1,000 points. Ever since, the real time index has been calculated every second.

So, when you hear “the DAX closed at 10,000 points”, it means that its value has increased tenfold since ’88.

This index for market trends is used regularly to assess the German economy as a whole. If the price goes south, then usually, the German economy isn’t doing too well. If it’s through the roof – well – the economy’s probably doing just fine.

Because stocks are also a type of investment, stock prices, and therefore the DAX, are a vital source of information for many people. And that explains why the anchor gets so excited about them in the news.

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