

What is Market Capitalization?

Market capitalization is the total value of a company's shares of stock. It's used to compare company sizes, which helps investors evaluate risk and return potential.

Calculating the Market Capitalization (Market Cap) of a company.

Coca-Cola has 4,280,000,000 outstanding shares of stock.

The current stock price (at the time I typed this up) was \$53.75.

Outstanding shares × current stock price = Market Cap

$4,280,000,000 \times 53.75 = 230,050,000,000.$

Small Capitalization (Small Cap)

Shares of relatively small publicly traded corporations, typically with a total market capitalization of less than \$1 billion. **Small-cap stocks tend to grow faster than larger cap companies, but they also tend to be more volatile. (*greater potential for high reward but also greater potential for risk*)**

Mid Capitalization (Mid Cap)

Mid-caps are established companies that haven't quite become household names yet. **They make excellent diversifiers, having both the growth characteristics of small-cap and the stability of large-cap companies.** One of the most watched mid-cap indexes is the S&P MidCap 400, which has an average market cap of \$2.30 billion

Large Capitalization (Large Cap)

These companies play an especially significant role in driving the economy. Because of their sheer size, large-cap companies tend to grow more slowly than small-cap stocks, but they also tend to be much more stable.

What is a Stock Index?

A stock index is a compilation of stocks constructed in such a manner to replicate a particular market, sector, commodity, or anything else an investor might want to track. Indexes can be broad or narrow. Investment products like exchange-traded funds (ETFs) and mutual funds are often based on indexes, allowing investors to invest in a stock index without having to buy every security included in the index.

Russell 2000	S&P 400	S&P 500
Is an index measuring the performance of approximately <i>2,000 smallest-cap</i> American companies	Investors who buy and hold mid-cap stocks are typically looking for long-term growth and the potential to outperform large-cap stocks in the long term.	An index of the 500 largest U.S. publicly traded companies. The S&P 500 is widely regarded as the best gauge of large-cap U.S. equities.
Link – Russell 2000	Link – S&P 400	Link – S&P 500

To learn more about Indexes, [click here](#)