ASE launches the Total Return Index (ASETR)

Amman Stock Exchange launched On Sunday, 27/3/2022, its new index the Total Return Index (ASETR), this came in implementation of the ASE's strategic plan (2021-2023) of projects and programs and within the framework of its endeavor to enhance the trading environment and provide new indicators in-line with best international practices in the field of calculating financial market indices, and due to the importance of the diversity of indicators in the markets in which they provide information and a broader and more accurate image of stock price movements.

The CEO of the Amman Stock Exchange, Mazen Al-Wathifi, said that the total return index is a weighted index based on the market capitalization for the free float shares available for trading, which aims to enable the investors to measure the total return achieved on their investments in ASE20 companies shares, as it considers the returns of cash dividends assuming that they are reinvested in the market in addition to the capital gains achieved as a result of a change in the market price. The idea of the index depends on adding the amount of cash dividends to the company included in the index sample on the due day so that the index calculates the amount of points based on the value of the distributed profits. The effect also depends on the total weight of the company in the index, as the amount of added points is greater if the cash dividends were for one of the companies with the highest weights in the index and vice versa.

In this way, the change in the value of the index does not only reflect the change in prices, but also the returns achieved on the shares of the index companies. In light of this, the total return index will be higher than the ASE20 price index in the periods of cash dividends.

As for the index sample, the new index is the same sample for the ASE20 index, which consists of the twenty most active companies and the highest in terms of market capitalization, which are considered the leading companies in the ASE. Accordingly, the base value for ASETR index will be chosen as the same base value for ASE20 as of end year 2021. It should be noted that the sample of the ASETR will be reviewed quarterly at the end of March, June, September and December of each year.

Interested parties can access to the methodology of calculating the ASETR index through the following link:

https://www.ase.com.jo/en/Quotes-Market/Indices/Methodology