# DIRECTIONS FOR DEVELOPING THE USAGE OF STOCK INDICES

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**ABSTARCT.**

In order to effectively manage a portfolio of securities, it is necessary to know the market situation. This requires indicators that summarize the investment process, one of which is the stock index. The paper is a summary paper and studies the ways to develop the usage of stock indices in Uzbekistan. The paper develops the conclusions according to the studies.

**Keywords:** stock, stock indices, investment portfolio, securities market, exchange market.

## INTRODUCTION

It is also necessary to distinguish stock indices from stock indices. The development of the capital market as an important basis for the formation of the economy in the market conditions in our country remains relevant by the government, and a number of important changes are being made in this regard. Presidential Decree No. PF-6207 of 13.04.2021 "On measures to further develop the capital market" is expected to serve a significant positive change in this regard. It identifies the main directions of capital market development, which reflects a number of important tasks. A special program has been developed to implement these tasks. One of the important tasks set in the "Capital Market Development Program 2021 - 2023" is to study the stock market of the Republic of Uzbekistan by the end of 2023, including Morgan Stanley Capital International (MSCI). is included in the list of the world's "emerging" stock markets. In order to do this, specific work has been identified, namely:

1. Negotiations with Morgan Stanley Capital International (MSCI) to obtain recommendations.
2. Organization of activities of at least 2 joint-stock companies in accordance with the requirements of this rating.
3. Coverage of this process in the media.

The application of stock indices is related to the analysis of large data volumes of transactions in the stock market. Indices are a set of statistical indicators that reflect the duration of changes in any situation, give a clear idea of the state and dynamics of the stock market. Reflects complex situations, indicators that assess objects determine the need for change. In recent years, the global economy has been affected by stock indexes as a result of the Covid-19 pandemic. The U.S. Federal Reserve System (FRT) cut its refinancing rate to 0.25% on March 15. In the United States, such a decline in the refinancing rate occurred only in December 2008. At the height of the global financial crisis in 2008, the FRT lowered its refinancing rate to 0-0.25% for the first time in its history.

The FRT also announced a number of additional measures to protect the country's economy from the effects of the coronavirus pandemic. Despite the FRT's efforts to stimulate stock markets, asset and index prices in the U.S. stock market fell sharply the day after the FRT's decision was announced. The value of these indices has fallen by almost 30%, the lowest level in the last 3 years.

Asian stock exchanges also suffered more from the coronavirus. In particular, the KOSPI 200 index, which consists of shares of 200 of South Korea's largest companies, fell to a 10-year low. European stock exchanges in France, the United Kingdom and Germany have also been affected by the coronavirus pandemic.

Measures are being taken around the world to mitigate the effects of the coronavirus pandemic. A number of programs are being developed and implemented to stabilize the impact of the coronavirus pandemic on the global economy and financial markets.

In particular, on March 19 this year, the European Central Bank (ECB) announced a program called the Pandemic Emergency Purchase Program to stabilize the situation in financial markets caused by the coronavirus pandemic. The program envisages the purchase of government and corporate bonds from stock market participants for a total of 750 billion euros. According to the European Central Bank, these measures will help stabilize the situation in European financial markets. Although the stock index is different, it has several common features: a list of indices, ie a list or combination of securities used in the calculation of the index, the method of elimination, other options included in the list of indices corresponding to the share price, the basic basis of the index, strategic position and others

## LITERATURE REVIEW

Predicting the return on a stock is a very sophisticated and extremely tough undertaking since there are so many elements that can influence stock prices, including political events, economic conditions, traders' expectations, and other environmental factors. Furthermore, stock price series are typically noisy, dynamic, nonlinear, intricate, nonparametric, and chaotic in nature, and this is reflected in the way they behave. The term "noisy characteristic" refers to the inability to obtain complete information from past financial market behavior in order to adequately represent the relationship between future and past prices. The majority of the research has been on the accuracy with which stock prices may be predicted (Abbasi, E., & Abouec, A. (2008), Afolabi, M., & Olatoyosi, O. (2007), Antipov, E.A. & Pokryshevskaya, E.B. (2012), Anyanwu, M.N. & Shiva, S.G. (2009)). Diverse trading techniques are employed by different investors, and as a result, the forecasting model based on reducing the difference between actual values and projections may not be appropriate for all of them. Instead, accurate forecasting of the direction of the stock index's movement is critical for them to develop effective market trading techniques for the stock market (Boyacioglu, M.A. & Avci, D. (2010), Bozkir, A.S. & Sezer, E.A. (2011), Breiman, L., Friedman, J.H., Olshen, R.A. Stone, C.J. (1984), Chen, A.-S., Daouk, H. & Leung, M.T. (2003)). Investors might successfully hedge against potential market risk, while speculators and arbitrageurs could have an opportunity to make money by trading stock indexes anytime they were able to make an accurate prediction of the direction of stock price movement. For this reason, a slew of research have been conducted in order to determine the direction or trend of the movement of various types of financial instruments(Chen, R.C. & Han, S. (2007), Fernandez-Rodriguez, F., Sosvilla-Rivero, S. & Garcia-Artiles, M.D. (1999)).

## ANALYSIS AND RESULTS

The volume of daily trade turnover at the Republican Stock Exchange "Tashkent" reflects the economic conditions in the country, and it can be said that the development of the stock market in our country is low compared to other stock markets in Asia. During the Covid-19 coronavirus pandemic in the stock markets of Asia, Europe and the United States, we can see a sharp increase in the share price of pharmaceuticals, IT programs and sales of companies in this field. However, due to the fact that a number of joint-stock companies have issued their shareholders in the IPO in 2019-2020, it is necessary to improve the corporate governance mechanism in about 600 joint-stock companies operating in the country. To this end, the following should be done:

- In order to develop the stock market in the country, it is necessary to further improve the regulatory documents on its status, participants, securities and financial strategic status, the preparation and disclosure of necessary information and reports on the situation;

- It should be noted that one of the conditions for accelerating the effective functioning of the stock market is to take legal organizational measures to expand the activities of investment companies, consulting firms, management companies, nominal depositors, underwriters;

- In order to improve the stock market, it is necessary to improve the mechanism of financial risk management of joint stock companies, the introduction of modern IT technologies, increase financial literacy among the population.

- In conducting research on stock indices, it is worth noting the following:
- - stock indices play an important role in the development of financial markets and can be used to assess the overall macroeconomic situation and investment climate in the country, as a tool for securities market analysis and forecasts, to assess the effectiveness of client portfolio management, as well as investment fund management;
- - Each stock index, despite its different forms, has a number of common features: an index list, ie a selected set of securities used to calculate this index; average value method, views on the price of shares included in the list of indices, the basic indicator of indices; statistical calculations on which the calculation of the indicator is based. In addition to the above, the following indicators apply to the bond index: the placed portion of issued bonds, cumulative coupon income of bonds, daily paid

amount of coupon income on bonds, the average cost of bond issue at the time of index calculation and at the end of the day, etc .

**CONCLUSION**

According to the composition of the listed issuers, by industry, can be divided into capitalized and aggregate (integral or composite) indices;

- The main criterion for the selection of securities to form a list of indices is representativeness. In addition, the base for calculating the index, the securities of which it is a part, should be open to a wide range of investors. This can only be ensured if the company has a sufficient share of equity capital in circulation in the secondary market.
- Transparency in the maintenance of indices and the process of formation of the basis for their calculation will be important.
- To ensure the stability of the index basket for a sufficient period of time, new requirements can be used when revising the next list, even if the compliance of shares with these requirements does not meet the initial conditional criteria of the competition.
- In order to unify the index base, not only the nominal volume and liquidity of bond issues, but also the credit history and ability of issuers are filtered so as not to interfere with high-confidence bonds and high-risk bonds.
- The highest level of representativeness and reliability of the indicator, which quickly reflects the changes in market conditions, can be achieved only when the indices are calculated on the basis of actual transactions on the stock exchange, and not on published quotations.

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