

# Stock Market Indexes in World - Explained

‘Sensex loses 556 points, slips below 28K’ screams Economic Times! But what does it mean? What is Sensex? Why has it lost 556 points? What does it mean that it has slipped below 28K?

Dear readers, today we attempt to unmystify the world share/ stock market indexes (indices) – which until now we’d come across while turning pages in the newspaper!

## What are stock indexes?

**Stock Market**, as we all know, is a market (a real/virtual market) where stock or shares are bought and sold – companies raise money through stock markets. In stock markets the shares of those companies which are listed with the Stock Exchange are bought and sold.

Stock markets will have stocks of numerous companies – at various price levels – activity levels floating around.

Imagine your city’s biggest and most popular vegetable market – where vendors from all over the city come to sell their produce – so many vendors – so many vegetables – so many buyers and so many different prices!

**Stock Exchange** is essentially an organization – which enables the trade in shares by providing a ‘trading area’, staff, infrastructure and making connections between buyers and sellers and agents possible. Every stock exchange has its rules and regulations, which any company which wishes to get listed with it have to comply with.

Now – when you come back from your veggie shopping trip – and

someone at home asks you how were the prices at the market – were they cheap or not? – How would you gauge that? Will you, when at market note down the prices of every vegetable – compare it with prices in other markets – what will you do?!

You will look at the prices of potatoes and onions – because they are the most important veggies out there – the basic, regularly required veggies – and decide if they've become costlier than before!

Same principle here – some companies are taken as indicators – these companies are obviously doing well and indicate the overall performance of their industries.

Thus, **Stock Index** is a numeric/ statistical measurement – an index – a number – which shows the performance of an economy taking some key companies (a segment of stock market) as its indicator.

In other words – looking at it from another angle – there is an 'index' which includes some stocks of some companies – the prices of these companies are measured and put through a formula – to give us the stock market index – the overall picture!

Through these indexes, investors, company owners, economists, traders etc. – who are known as stakeholders – glean useful information depending on their needs. An investor will invest if the markets are doing well and keep his money on the company showing progress – where performance falls – the investors take their monies away from the markets and that is when the indexes fall!

So more the positive activity – index rises – and vice versa.

**How are they calculated?**

Indices can differ based on their method of calculation – which is based on certain specific theory of what elements will give a near perfect indicator of industry average etc.

Indices may be price-weighted (prices of the stock are considered for calculating the index), or, capitalization-weighted index which looks at market value of the stocks.

Mostly used method is market capitalization method, where

**Market capitalization = market price of shares x number of shares outstanding (issued by the company)**

Another method used is free float market capitalization method, where

**Market capitalization = market price of shares x number of share which are available for trading in the open market**

### **Famous indices and trivia:**

Some very popular stock indices followed worldwide:

1. Dow Jones Industrial Average, The Global Dow
2. Dow Jones Asia Titans 50
3. S & P – Global 1000/1200 – (S&P = Standard and Poor's)
4. S & P Asia 50
5. BBC Global 30
6. EURO STOXX 50
7. FTSE indices
8. NASDAQ indices

and, Indian stock indexes are:

1. Nifty – of NSE
2. Sensex of BSE
3. MCX-SX of MCX Stock Exchange

### **Famous Stock Exchanges:**

- (i) NYSE – New York Stock Exchange – is the market leader.
- (ii) NASDAQ
- (iii) Tokyo Stock Exchange
- (iv) LSE – London Stock Exchange
- (v) Euronext

and, Indian Stock Exchanges are:

- (vi) BSE – Bombay Stock Exchange
- (vii) NSE – National Stock Exchange
- (viii) MCX Stock Exchange

### **Some more indexes for g.k. purpose!**

1. Iran's – Tepix
2. Japan's – Nikkei 225
3. China's – SSE, SZCE, CSI 300
4. Hong Kong's – Hang Seng Index
5. Malaysia's – Kuala Lumpur Composite Index
6. Nepal's – Nepal Stock Exchange – NEPSE
7. Pakistan's – KSE indices
8. Russia's – Moscow Inter-bank currency exchange –MISEX
9. Sri Lanka's – All share Price Index – ASPI
10. UK – has all the FTSE indices! So easy to remember
11. USA – has got plenty, am just going to list em – the names are popular enough! -  
Dow Jones, NASDAQ, Russell's, S & P's, Goldman Sach's, Amex indices, Wilshire's and CPMKTE (capital markets equity index)!

(The numbers after the names of the indices represent the number of companies in the index.)

### **and some unique indices:**

12. Space Foundation Index (SFI)
13. Palidas Water Index (PWI)
14. Cleantech Index

## 15. Solactive Indices

Interesting to know – BSE is India's and Asia's oldest stock exchange! It happened in 1878! Yep!!

Followed by Tokyo's stock Exchange in 1878 being the second oldest in Asia.

As far the international scenario is concerned – Amsterdam Stock Exchange is the oldest, having been established in 1602 by Dutch East India Company!

### ➤ *Knowing the Indian ones properly!*

In Indian scenario – SEBI, the Stock Exchange regulator – recognizes only three stock exchanges:

- **SENSEX = Sensitive index**, which is the index given by BSE or Bombay Stock Exchange.
- It was founded in 1875 by Premchand Roychand and is the oldest stock exchange in India – of the three!
- It is Head Quartered at the famous Dalal Street in Mumbai.
- CEO is Ashish Chauhan.
- It uses free float market capitalization method = value of shares which are available for trading = the value taken into the index.
- It consists of 30 major companies listed with the BSE.  
Some of them are – SBI, ICICI Bank, Axis Bank, HDFC, Wipro, Infosys, TCS, ONGC, Airtel, HAL, BHEL, BEL, Coal India, Tata Motor etc.
- Sensex is India's foremost stock market indicator.
  
- **Nifty = National Stock Exchange's** 50 major companies
- Controlled by India Index Services and Products.

- It was founded in 1992 and is head quartered in Mumbai.
- NSE's MD and CEO is Chitra Ramkrishna
- It uses free float market capitalization weighted method = value of shares which are available for trading and calculation done using weights = the value taken into the index.
- The 50 companies include the 30 of sensex and extra 20 companies.
- **MCX-SX-40**
- Founded in 2008 – it is the youngest exchange with its Head Quarter in Mumbai.
- CEO is Saurabh Sarkar.
- It specializes in using state of the art infrastructure and technology to provide trading services for a variety of instruments.

## Stock Exchanges in India and their Establishment years

Exchange	Establishments year
U.P. stock Exchange , Kanpur	27 august 1982
Vadodara stock Exchange , Vadodara	5 January 1990
Koyambtour stock Exchange , Coimbatore	1991
Meerut stock Exchange , Meerut	1956
Bombay stock Exchange , Mumbai	1875
Over the counter Exchange of India , Mumbai	1990
Nitonal stock Exchange , Mumbai	1992
Ahemdabad stock Exchange ,Ahmadabad	1956
Banglore stock Exchange , Bangalore	1963
Bhuvaneshwar stock Exchange,Bhuvaneshwar	7 April,1989

Calcutta stock Exchange , Calcutta	1908
Cochin stock Exchange , Cochin	1978
Delhi stock Exchange , Delhi	25 June,1947
Guwahati stock Exchange , Guwahati	29 November ,1983
Hyderabad stock Exchange , Hyderabad	1941
Jaipur stock Exchange , Jaipur	1989
Canara stock Exchange , Mangalore	1985
Ludhiana stock Exchange , Ludhiana	1981
Chennai stock Exchange , Chennai	2012
M.P. stock Exchange ,Indore	1919
Magadh stock Exchange ,Patna	1986
Pune stock Exchange , Pune	1982
Capital stock Exchange Kerala Ltd. Tiruvnanthapuram, Kerala	1978

## Major Stock Exchanges in the World

List of Stock Exchanges in the world.

INDEX NAME	COUNTRY NAME
BSE SENSEX	MUMBAI, INDIA
NSE NIFTY	MUMBAI, INDIA
DOW JONES INDUSTRIAL AVERAGE	NEW YORK, UNITED STATES
NIKKEI	TOKYO, JAPAN
HANG SENG	HONG KONG
DAX	FRANKFURT, GERMANY
SIMEX	SINGAPORE
KOSPI	SOUTH KOREA
SET	THAILAND

TAIEX	TAIPEI, TAIWAN
SHANGHAI COMPOSITE	SHANGHAI, CHINA
NASDAQ	NEW YORK, UNITED STATES
S & P/ TSX	TORONTO, CANADA
BOVESPA	BRAZIL
FTSEMIB	ITALY
IPC	MEXICO
SMI	SWITZERLAND
CAC 40	FRENCH
IBEX 35	SPAIN
FTSE 100	LONDON, UNITED KINGDOM
ADX GENRAL	UNITED ARAB EMIRATES
FTSE BURSA	MALAYSIA

## INX: India's First International Stock Exchange: Key Points





## Introduction

January 9, 2017, brought a great day for Indian Market as Prime Minister Narendra Modi gifted India its first International Stock Exchange Market. This initiative of GOI has taken India a step ahead in the global stock market and it was a proud moment for all the Indian. In this article we will discuss the key points of INX because in the upcoming bank exams this will be the hot topic for discussion and one or two objective type questions will be surely based on INX.

## Features of INX

### 1. Speed

It is world's fastest stock exchange in terms of response. The highly advanced technology based stock exchange will work on four microsecond response time.

### 2. Working Hours

To match the pace of global economy and stock market, INX will remain open for 22 hours a day.

The stock exchange will open at 4 am and will close at 2 am. This time span is matched with Japan and US's stock exchange time. Japan Stock exchange open at 4 am according to Indian time and US Stock exchange closes at 2 am according to Indian time.

### **3. Investment Targets**

Bombay Stock Exchange has kept the target of investing 500 crores in the market within three years.

### **4. Employees**

To function perfectly, the staff of BSE has relocated to Gujrat. 100 BSE employees have shifted to INX. There is a team of local and foreign personnel too.

### **5. Trading**

INX will trade in securities and products along with Indian Rupee. It will indulge in the trading of equity shares of companies incorporated outside India, depository receipts, debt securities, currency and interest rate derivatives, index-based derivatives, commodity derivatives. For the first six months, it will offer only derivative products.

### **6. Security**

To prevent money laundering and to manage risks and money manipulation, INX has a robust security system.

### **Tax Benefits**

- The people who will invest via INX will get following tax benefits
- No income tax for fixed time span
- Low commodity transaction tax
- Beneficial for dividend distribution tax
- Renunciation in long-term capital tax

- Beneficial in Security Transaction tax

## **Fast Facts For Quick Revision**

<b>Launched on</b>	<b>January 9, 2017</b>
<b>Launched by</b>	<b>Narendra Modi</b>
<b>Situated in</b>	<b>Gandhinagar, Gujrat</b>
<b>Situated at</b>	<b>Gujarat International Finance-Tec (GIFT) City</b>
<b>Working hours</b>	<b>4 am- 2 am (22 hours)</b>
<b>Response Time</b>	<b>4 microsecond (fastest in the world)</b>
<b>Investment</b>	<b>500 crores in 3 years</b>
<b>Products</b>	<b>Derivative Products: equity, currency 7 commodity</b>
<b>Tax Benefits for</b>	<b>transaction tax, distribution tax capital tax</b>
<b>Income Tax</b>	<b>No income tax for three years</b>