

# All about Global Stock Exchanges

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*A Plain-Language Guide to the World's Major Stock-Market Indices*

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## Introduction

A stock market index is a single number that captures the combined movement of a basket of selected shares. Instead of following hundreds of individual companies, investors can glance at one index to judge whether a market is rising or falling. Each index has a "base point" - a starting value fixed on a chosen date - and every later level is measured against that base. By comparing today's level with the original base, we can see how far a market has travelled over its lifetime.

Before we look at individual indices around the world, it is useful to step back and understand the institution that makes all of this possible in the first place - the stock exchange. The sections below explain, with particular reference to the Indian stock market, what a stock exchange is, what happens there, who takes part, who keeps watch over it, and how the system protects ordinary investors.

## What is a Stock Exchange?

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A stock exchange is an organised, regulated marketplace where shares of listed companies, bonds, and other securities are bought and sold between investors. It does not itself own the shares being traded; rather, it provides the trading platform, the rules, and the infrastructure through which buyers and sellers can meet and agree on a price in a fair and orderly manner. In India, the two principal stock exchanges are the Bombay Stock Exchange (BSE), Asia's oldest exchange founded in 1875, and the National Stock Exchange (NSE), set up in 1992, which introduced fully electronic, screen-based trading to the country. A handful of other exchanges, such as the Metropolitan Stock Exchange (MSE), also operate on a smaller scale.

## What Activities Take Place on a Stock Exchange?

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A modern stock exchange is far more than a place to buy and sell shares. Its main activities include:

- **Listing of securities:** Companies that wish to raise capital from the public get their shares "listed" on the exchange after meeting eligibility norms, usually through an Initial Public Offering (IPO).
- **Trading:** Once listed, the shares can be bought and sold continuously by investors through a fully automated, order-matching system that pairs buy and sell orders at the best available price.
- **Price discovery:** The continuous interaction of buyers and sellers determines the "fair" price of a share at any given moment, based on available information and market sentiment.
- **Clearing and settlement:** After a trade is executed, the exchange (through its clearing corporation) ensures that the buyer receives the shares and the seller receives the money, safely and on time.
- **Derivatives trading:** Exchanges also offer futures and options contracts on individual stocks and indices, allowing investors to hedge risk or take leveraged positions.
- **Dissemination of information:** Exchanges publish real-time prices, corporate announcements, financial results, and index data, ensuring that all investors have equal and timely access.
- **Surveillance:** Exchanges continuously monitor trading patterns to detect unusual activity, price manipulation, or insider trading.

## Who are the Participants in a Stock Exchange?

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A wide range of entities take part in the functioning of a stock exchange, each playing a distinct role:

- **Listed companies:** The issuers of shares, who raise capital and are obliged to make periodic disclosures.

- **Retail investors:** Individual citizens who buy and sell shares for their own savings and investment needs.
- **Institutional investors:** Mutual funds, insurance companies, pension funds, and Foreign Portfolio Investors (FPIs) who invest large pools of money on behalf of others.
- **Stockbrokers and trading members:** SEBI-registered intermediaries who are permitted to place orders on the exchange on behalf of investors.
- **Depositories and Depository Participants (DPs):** National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) hold shares in electronic ("dematerialised") form in investors' demat accounts, with banks and brokers acting as DPs.
- **Clearing corporations:** Entities such as the Indian Clearing Corporation Limited (ICCL) and NSE Clearing Limited (NCL) guarantee and settle every trade, acting as the counterparty to both the buyer and the seller.
- **Market makers and Authorised Persons:** Provide liquidity and extend the reach of brokers to smaller towns.
- **Merchant bankers, registrars, and credit rating agencies:** Support the listing process, manage investor records, and assess the creditworthiness of issuers.

## Who Regulates Indian Stock Exchanges?

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The Securities and Exchange Board of India (SEBI), established in 1988 and given statutory powers in 1992, is the apex regulator of the Indian securities market. SEBI's mandate is to protect the interests of investors, promote the development of the securities market, and regulate it. SEBI lays down rules for listing, trading, disclosure, takeovers, insider trading, mutual funds, and intermediaries, and has powers of investigation, inspection, and enforcement, including the ability to levy penalties and bar entities from the market.

In addition to SEBI, the Reserve Bank of India (RBI) regulates matters relating to government securities and currency derivatives, while the Ministry of Corporate Affairs oversees company law compliance. The stock exchanges themselves function as the first line of regulation, framing and enforcing their own listing and trading rules under SEBI's overall supervision - a structure often described as "self-regulation under statutory oversight."

## Is There Transparency in Trades and Transactions?

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Indian stock exchanges operate on a fully electronic, screen-based order-matching system, where every order and trade is recorded and time-stamped. Several features ensure a high degree of transparency:

- **Real-time price dissemination:** Bid and offer prices, traded quantities, and the order book depth are visible to all market participants simultaneously.
- **Mandatory disclosures:** Listed companies must disclose financial results, material events, shareholding patterns, and related-party transactions within prescribed timelines.
- **Unique Client Code (UCC):** Every investor's trades are tagged to a unique identity, making it possible to trace every trade back to the ultimate buyer and seller.
- **Audit trails:** Exchanges maintain a complete electronic record of every order placed, modified, or cancelled, which can be reconstructed for investigation if needed.
- **Surveillance systems:** Sophisticated, largely automated surveillance tools flag unusual price movements, circular trading, and potential insider trading for further scrutiny by SEBI and the exchanges.

That said, transparency does not eliminate all risk - investors must still rely on the accuracy of company disclosures and exercise their own diligence, since no surveillance system can guarantee that every instance of wrongdoing will be detected immediately.

## How Does Settlement Happen?

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Settlement is the process by which the exchange of shares for money is actually completed after a trade. Indian equity markets have steadily compressed their settlement cycle over the years - from a T+5 cycle around the turn of the century, to T+3, then T+2, and most recently to a T+1 settlement cycle (trade date plus one working day), with a phased move towards same-day, T+0, settlement also being piloted for a limited set of large, liquid stocks since 2024.

In practice, this means that if an investor sells a share today, the sale proceeds (after deducting brokerage and statutory charges) are typically credited to the investor's account, and the shares move out of the demat account, within one working day. The clearing corporation acts as the "central counterparty" - it interposes itself between every buyer and seller, guaranteeing that the trade will be honoured even if one of the original parties were to default. This greatly reduces what is known as

"counterparty risk" for ordinary investors.

## How Does an Exchange Guard Against Market Crashes or Excessive Swings?

Stock exchanges, working under SEBI's regulations, employ several mechanisms to maintain orderly markets and curb excessive volatility:

- **Market-wide circuit breakers:** If a benchmark index such as the Sensex or Nifty 50 moves by a pre-defined percentage (commonly 10%, 15%, or 20%) from the previous day's close, trading is halted across the entire market for a specified period, or for the rest of the day, giving participants time to absorb information and avoid panic-driven decisions.
- **Individual stock-level price bands:** Most stocks have daily price bands (commonly 2%, 5%, 10%, or 20%) beyond which the price of that particular stock cannot move on a given day.
- **Margin requirements:** SEBI mandates upfront margins on both cash and derivative market trades, which limits excessive leverage and speculative build-up that could otherwise destabilise prices.
- **Position limits:** Limits are placed on the open positions that any single participant can hold in derivatives contracts, preventing any one player from dominating or cornering the market.
- **Surveillance and ASM/GSM frameworks:** Stocks showing unusual price or volume behaviour are placed under the Additional Surveillance Measure (ASM) or Graded Surveillance Measure (GSM), which impose additional margin, trading, or disclosure restrictions until the unusual activity subsides.
- **Trading halts for corporate announcements:** Trading in a stock may be temporarily suspended around major corporate announcements to allow the information to be absorbed fairly by all participants.

These safeguards do not - and cannot - prevent markets from falling or rising sharply in response to genuine economic events; their purpose is to ensure that such moves happen in an orderly fashion, free of panic, manipulation, and unfair advantage, rather than to artificially prop up or hold down prices.

**In short:** A stock exchange is the regulated meeting place where companies raise capital and investors trade ownership in them. SEBI sets the rules, the exchanges and clearing corporations enforce them day to day, and a combination of electronic transparency, fast settlement, and automatic safety mechanisms protects the integrity of the market - though no system can substitute for an investor's own diligence and caution.

With this background on how a stock exchange itself functions, we now turn to the world's major stock-market indices. This write-up explains, in plain and simple language, the most important stock indices in the world. It covers what each one is, the country it belongs to, the year it began, its base value, how much it has grown since inception, and a short history of how it has evolved. A quick-reference table is given first, followed by a short profile of each index.

### Quick-Reference Comparison Table

The table below summarises each index. "Latest" values are approximate closing levels around late June 2026 and naturally change every trading day. Growth is measured from the original base point to the latest level, and is shown for broad perspective rather than as a precise return.

Index Name	Country	Year (base)	Base Point	Latest (Jun 2026)	Growth till date
S&P BSE Sensex	India	1986 (base 1978-79)	100	~77,100	~77,000%
Nifty 50	India	1996 (base 1995)	1,000	~24,044	~2,304%
Dow Jones Ind. Avg.	United States	1896	40.94	~51,876	~1,26,612%
S&P 500	United States	1957 (base 1941-43)	10	~7,354	~73,440%
Nasdaq 100	United States	1985	250	~29,220	~11,588%
FTSE 100	United Kingdom	1984	1,000	~10,512	~951%
CAC 40	France	1987	1,000	~8,414	~741%
DAX (DAX 40)	Germany	1988 (base 1987)	1,000	~24,891	~2,389%

Nikkei 225	Japan	1949	176.21	~69,361	~39,263%
Hang Seng	Hong Kong	1969 (base 1964)	100	~22,672	~22,572%
SSE Composite	China	1991 (base 1990)	100	~4,027	~3,927%
KOSPI	South Korea	1983 (base 1980)	100	~8,411	~8,311%

*Note: The Dow Jones and Nikkei 225 are price-weighted; most other indices are market-capitalisation weighted. The DAX is a total-return (performance) index that assumes dividends are reinvested, which makes its headline growth look larger than price-only indices. These differences mean the growth figures are best read as orders of magnitude, not exact like-for-like comparisons.*

## Profiles of the Major Indices

### S&P BSE Sensex

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**Country:** India

The Sensex, short for the Sensitive Index, is India's oldest stock market barometer and is published by the Bombay Stock Exchange (BSE), Asia's oldest exchange, founded in 1875. The index was first compiled in 1986 with a base value of 100 set to the year 1978-79. It tracks 30 large, financially sound and well-established companies across key sectors of the Indian economy.

From a base of 100, the Sensex has multiplied many thousands of times, reflecting the long-term growth of the Indian economy and its corporate sector. It crossed the 1,000 mark in 1990, 10,000 in 2006, 50,000 in early 2021 and the 75,000 level in 2024. The constituents are reviewed periodically so that the index continues to mirror the most actively traded and representative companies. For decades it has been the single most quoted measure of Indian equity-market sentiment.

### Nifty 50

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**Country:** India

The Nifty 50 is the flagship index of the National Stock Exchange (NSE), launched in 1996 with a base value of 1,000 linked to the base date of 3 November 1995. It comprises 50 of the largest and most liquid Indian companies and is the benchmark for the bulk of India's index funds, exchange-traded funds and derivatives trading.

The Nifty is widely regarded as a broader and more diversified gauge than the 30-stock Sensex. Over the years it has become the underlying for one of the world's most actively traded equity-derivative contracts. It crossed 10,000 in 2017 and the 20,000 mark in 2023, tracking India's emergence as one of the fastest-growing major economies.

### Dow Jones Industrial Average

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**Country:** United States

The Dow Jones Industrial Average (DJIA) is the world's most famous stock index and one of the oldest, created by Charles Dow in 1896 with an initial value of 40.94. It originally tracked 12 industrial companies; today it follows 30 blue-chip corporations representing leading sectors of the U.S. economy (excluding transport and utilities, which have their own Dow averages).

The Dow is a price-weighted index, meaning higher-priced shares carry more influence than lower-priced ones - an unusual and often-criticised methodology. Despite this, it remains a powerful symbol of American capitalism. Of the original constituents, only the lineage of General Electric survived for over a century before being removed in 2018. The index passed 1,000 in 1972, 10,000 in 1999 and the 40,000 milestone in 2024.

### S&P 500

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**Country:** United States

The Standard & Poor's 500 is widely considered the best single gauge of large-cap U.S. equities. The modern 500-stock index was introduced in 1957, though its lineage traces back to a base period of 1941-43 assigned a value of 10. It is a free-float, market-capitalisation-weighted index covering about 80% of the total value of the U.S. stock market.

Because it is capitalisation-weighted and far broader than the Dow, the S&P 500 is the benchmark of choice for professional investors and the reference for trillions of dollars of index funds worldwide. It crossed 1,000 in 1998 and surpassed 6,000 for the first time in late 2024, powered in recent years by large technology companies.

### Nasdaq 100

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**Country:** United States

The Nasdaq 100 was launched in 1985 with a base value of 250 and includes 100 of the largest non-financial companies listed on the Nasdaq stock market. It is heavily weighted towards technology, communications and consumer companies, making it the leading benchmark for the global tech sector.

On 1 January 1994 the base value was reset (halved) from 250 to 125 to keep the index at a manageable level. The Nasdaq 100 captured both the dramatic rise of the late-1990s dot-com boom and the subsequent crash, before going on to lead the post-2009 bull market. It is dominated by mega-cap technology names and is closely watched as a proxy for innovation-driven growth stocks.

## FTSE 100

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**Country:** United Kingdom

The Financial Times Stock Exchange 100 Index - popularly the "Footsie" - was launched on 3 January 1984 with a base value of 1,000. It tracks the 100 largest companies by market capitalisation listed on the London Stock Exchange and is the principal benchmark for the UK market.

Because many of its constituents are multinational firms earning revenue abroad, the FTSE 100 is often influenced as much by global conditions and the pound's exchange rate as by the domestic UK economy. The index is reviewed quarterly, with companies promoted or relegated based on their market value. It reached record highs above the 10,000 level in 2025-26.

## CAC 40

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**Country:** France

The CAC 40 (Cotation Assistée en Continu) is France's benchmark index, launched with a base value of 1,000 as of 31 December 1987. It represents 40 of the largest and most actively traded companies listed on Euronext Paris and is dominated by global luxury-goods, energy, banking and industrial groups.

The CAC 40 is a free-float capitalisation-weighted index and is one of the leading gauges of the Eurozone economy. Its performance is strongly shaped by a handful of world-class consumer-luxury and energy multinationals, giving it a distinctive character among European benchmarks.

## DAX (formerly DAX 30, now DAX 40)

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**Country:** Germany

The DAX is the headline index of the Frankfurt Stock Exchange, introduced in 1988 with a base value of 1,000 set to 31 December 1987. For most of its life it tracked 30 leading German blue-chip companies ("DAX 30"), but in September 2021 it was expanded to 40 constituents and is now formally the DAX 40.

A distinctive feature of the DAX is that its main version is a performance (total-return) index - it assumes dividends are reinvested. This inflates its long-run level compared with price-only indices such as the Dow or FTSE, so its headline growth figure is not directly comparable with them. The DAX reflects Germany's export-driven industrial economy, with automotive, engineering, chemicals and software companies prominent.

## Nikkei 225

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**Country:** Japan

The Nikkei 225 is Japan's most prominent stock index, calculated back to 16 May 1949 with a starting value of 176.21. Maintained by the Nihon Keizai Shimbun (Nikkei) newspaper, it tracks 225 leading companies on the Tokyo Stock Exchange and, like the Dow, is price-weighted rather than capitalisation-weighted.

The Nikkei tells a remarkable story of boom and bust: it soared to an all-time peak of nearly 38,957 in December 1989 at the height of Japan's asset bubble, then fell for two decades. It only surpassed that 1989 record in early 2024 - a 34-year round trip - before climbing to new highs thereafter. It remains the key barometer of corporate Japan.

## Hang Seng Index

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**Country:** Hong Kong

The Hang Seng Index (HSI) was first published in 1969 with a base value of 100 set to 31 July 1964. It is the principal indicator of the Hong Kong stock market and tracks the largest and most liquid companies listed there, including many mainland-Chinese enterprises.

Over the decades the composition of the Hang Seng has shifted from old-line Hong Kong property and trading houses towards mainland Chinese banks, insurers and technology giants, reflecting Hong Kong's role as the main international gateway to Chinese capital. It is among the most closely watched indices in Asia.

## SSE Composite Index

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**Country:** China

The Shanghai Stock Exchange (SSE) Composite Index was launched on 15 July 1991 with a base value of 100 set to 19 December 1990. It tracks all A-shares and B-shares listed in Shanghai, making it the broadest gauge of mainland China's largest stock market. A narrower, blue-chip benchmark, the SSE 180 Index, was introduced in 2002 (rebased to 1,000) to track the exchange's top 180 companies.

The SSE Composite reflects the rapid but volatile rise of Chinese equities since the country's market reforms. It is heavily influenced by domestic retail investors and government policy, and has experienced dramatic boom-and-bust cycles, notably the surge and crash of 2007-08 and again in 2015.

## **KOSPI**

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**Country:** South Korea

The Korea Composite Stock Price Index (KOSPI) is South Korea's headline index, introduced in 1983 with a base value of 100 set to 4 January 1980. It is a capitalisation-weighted index covering all common shares on the main board of the Korea Exchange.

The KOSPI mirrors South Korea's transformation into a high-technology export powerhouse, with electronics, semiconductors, automobiles and shipbuilding companies prominent among its constituents. It is one of Asia's most important benchmarks and is closely linked to the global technology and memory-chip cycle.

## Key Points Every Investor Should Know

- **An index is only a sample.** It represents selected leading companies, not every listed share, so it shows the general direction of a market rather than the fate of any one stock.
- **Weighting methods differ.** Price-weighted indices (Dow, Nikkei) are driven by share price; capitalisation-weighted indices (S&P 500, Nifty, FTSE) are driven by company size. This affects how each index behaves.
- **Price vs total-return.** Most headline indices ignore dividends; a few (notably the DAX) include them, which lifts the long-run level. Always check which version you are looking at.
- **Composition changes over time.** Indices are reviewed regularly and weak or shrinking companies are replaced by larger, more representative ones. This survivorship is one reason indices tend to rise over the long run.
- **Currency and global exposure matter.** Indices like the FTSE 100 and Hang Seng are heavily influenced by overseas earnings and exchange rates, so they may not move in step with their home economy.
- **Past growth is not a promise.** The large historical gains shown here span decades and include severe crashes along the way. They illustrate long-term trends, not guaranteed future returns.

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The index levels, base values, dates and growth figures presented here have been compiled from publicly available sources believed to be reliable and are approximate and indicative. Market levels change continuously; "latest" figures refer to approximate values around late June 2026 and will be out of date by the time this is read. Historical base values and inception dates follow the conventions published by the respective index providers and may be calculated or reconstructed in different ways by different sources. Growth percentages are simple comparisons of the latest level against the original base point and do not account for dividends, currency effects, inflation, methodology changes or index rebasing.

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