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KOSPI _ Summary

A stock price index plays an important role both as a general indicator of price fluctuations in the stock market and as a nation's economic indicator. However, the KRX-Stock Market Division, which opened on February 11, 1956, did not produce specific stock price index until 1964, because the early stages of the stock market was dominated by bond trading.

Beginning in 1962, the bond market converted to the stock market, and the need for a stock price index that could assess general market conditions has emerged. Accordingly, by setting the average price of the stocks selected from the stocks traded from May 19 to December 24, 1963 as 100, an adjusted stock price average index, the first stock price index in Korea, was published on January 4, 1964. This index, comprised of 17 constituents, was calculated using the Dow Jones method.

Then, The Korea Composite Stock Price Index (KCSPI) was introduced in 1972 with a base index of 100 set to January 4 of the same year. The 35 constituent stocks were selected from the stocks traded on the Primary Market. However, the rapid expansion of the market in 1979 revealed that the 35 constituents alone did not adequately represent the overall market performance. Accordingly, a decision was made to introduce a system of realigning the constituent stocks with gilt-edged issues each year, and the base date was set as January 4, 1975 with a base index of 100.

With the growth of the securities market both quantitatively as well as qualitatively, concerns about the structural problems of price-weighted Dow Jones were raised. Taking into account the international trends of adopting a market capitalization based index, the KRX-Stock Market Division introduced a new market capitalization based index, KOSPI (Korea Composite Stock Price Index), in 1983. KOSPI, which is still in use today, was assigned a base index of 100 set to January 4, 1980.

Calculation

KOSPI(hereafter referred to as KOSPI) is calculated as follows with Current Market Capitalization (=market capitalization at the time of comparison) as the numerator and Base Market Capitalization (=market capitalization as of January 4, 1980) as the denominator.

$$\text{KOSPI} = \frac{\text{Current Market Capitalization}}{\text{Base Market Capitalization}} \times 100$$

In order to maintain a consistency of the index, when there is a change in the number of listed shares resulting from security offerings with or without capital increase, stock dividend, merger, etc., the current market capitalization and base market capitalization are readjusted as needed.

Publication

KOSPI is updated on the KRX website every 10 seconds and is available in statistical KRX publication "KRX Review" on a daily, monthly, and yearly basis. In addition, past indices have been made available for investors retrospective to January 4, 1975.