

**DEPARTMENT OF COMMERCE AND FINANCIAL STUDIES  
BHARATHIDASAN UNIVERSITY, TIRUCHIRAPPALLI – 620024  
MBA (Financial Management)**

**Course Code: FMEC3/24**

**Course Name : Financial Markets**

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# Scheme of Presentation

## Unit V

- Depository Receipts
- S & P 500 Index
- Dow Jones Industrial Average (DJIA)
- NASDAQ Composite Index (COMP)
- Nikkei 225 (NKY)
- Trading in Global Markets Through NSE
- Exchange Traded Funds (ETFs)
- ESG (Environmental, Social, and Governance) considerations in International Investments

Unit V  
International Financial Markets: Depository Receipts  
Depository Receipts (DRs):

**Definition:** A financial instrument representing a company's foreign shares held in a domestic depository bank, which can be traded on a local stock exchange.

**Types:**

**American Depository Receipts (ADRs):** U.S.-based DRs that represent shares of a non-U.S. company, traded on U.S. exchanges.

**Global Depository Receipts (GDRs):** DRs issued outside the U.S. and typically used in Europe, representing foreign shares.

# International Stock Indices

## S&P 500 Index (Standard & Poor's 500):

- Description:
  - A market-capitalization-weighted index of 500 large publicly traded companies in the U.S.
  - Covers diverse sectors like technology, healthcare, financials, and consumer goods.
  - Considered one of the best indicators of U.S. stock market performance.
  - Large companies like Apple, Microsoft, and Amazon are part of this index.

## • Significance:

- It reflects the overall health of the U.S. economy (Represents about 80% of the total value of the U.S. stock market).
- A widely followed benchmark for institutional and individual investors.

## Dow Jones Industrial Average (DJIA):

- **Definition:** A price-weighted index that tracks 30 large, publicly-owned U.S. companies across various industries.
- **Significance:** One of the oldest and most well-known indices, it is often used as an indicator of the U.S. stock market's health.

# International Stock Indices

## NASDAQ Composite Index (COMP)

- **Description:**
  - A market-capitalization-weighted index with over 3,000 stocks listed on the NASDAQ stock exchange.
  - Heavily influenced by technology companies, including giants like Alphabet (Google), Meta (Facebook), and Tesla.
- **Significance:**
  - Represents innovation and technology sectors, making it an essential benchmark for growth-oriented stocks.

## Nikkei 225 Index

- **Description:**
  - A price-weighted index tracking the top 225 companies listed on the Tokyo Stock Exchange.
  - Contains prominent Japanese companies like Toyota, Sony, and SoftBank.
- **Significance:**
  - Seen as a barometer for the Japanese economy and used widely in international comparisons.
  - Tracks both traditional and high-tech Japanese industries.

# Trading in Global Markets Through NSE

## NSE International Exchange:

- The National Stock Exchange (NSE) facilitates Indian investors to trade in international markets through its tie-ups and Global Indices derivatives.
- These products offer exposure to global indices, including U.S. and other global stock markets, giving Indian investors more investment options.

## Global Derivatives on NSE:

- Products like Global Index Futures (e.g., Dow Jones, S&P 500) can be traded by Indian investors through NSE, providing them an opportunity to benefit from global market trends.

- **Exchange-Traded Funds (ETFs)**

- **Definition:** ETFs are a type of investment fund traded on stock exchanges, much like stocks. They hold a portfolio of assets such as stocks, bonds, or commodities and are designed to track the performance of an index.

**Types of ETFs:**

- **Index ETFs:** Track broad market indices like the S&P 500.
- **Sector ETFs:** Focus on specific sectors such as healthcare or technology.
- **Commodity ETFs:** Invest in commodities like gold, oil, or agricultural products.
- **Bond ETFs:** Invest in government or corporate bonds.
- **International ETFs:** Provide exposure to international stock markets.

- Exchange-Traded Funds (ETFs)

### Benefits of ETFs:

- **Diversification:** One ETF can provide exposure to hundreds or thousands of stocks.
- **Low Cost:** ETFs generally have lower fees compared to mutual funds.
- **Liquidity:** They can be bought and sold like stocks throughout the trading day.
- **Transparency:** ETFs' holdings are typically disclosed daily.



# ESG (Environmental, Social, and Governance) Considerations in International Investments

## **1.Environmental Factors:**

1. How a company's operations impact the environment (e.g., carbon emissions, water usage, waste management).
2. Companies with strong environmental policies tend to be more sustainable and less vulnerable to regulatory risks.

## **2.Social Factors:**

1. Concerned with how a company manages relationships with employees, suppliers, customers, and communities.
2. Issues like labor practices, employee diversity, consumer protection, and community engagement are considered under this factor.

## **3.Governance Factors:**

1. Focus on the internal management structure of a company.
2. Issues like board diversity, executive compensation, transparency, shareholder rights, and ethical business practices.

## **• Relevance in International Investments:**

- Increasing demand for socially responsible investing (SRI) has led to a rise in ESG-focused funds and investment products.
- ESG factors are now key criteria for assessing long-term sustainability and risks in international companies and markets.

# ESG in International Investments:

- **Growing Importance:** Investors increasingly focus on ESG factors as they can have material impacts on financial performance and sustainability.
- **ESG-Driven Investment Products:** There is a rising number of funds and ETFs specifically designed for ESG-compliant investments. Many global institutional investors are prioritizing ESG in their decision-making processes.
- **Performance Impact:** Companies with strong ESG practices often show long-term financial sustainability and resilience in volatile markets.

## ESG Benefits:

- **Sustainability:** ESG strategies promote long-term environmental and social well-being.
- **Risk Management:** Addressing ESG issues reduces potential risks from regulatory changes or social backlash.
- **Investor Demand:** More investors are choosing ESG-aligned companies for ethical reasons as well as better financial outcomes.

**THANK YOU**

## References

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