

A Refresh of Index Levels: What a 1:10 Rescaling of Major Equity Indices Would Achieve

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Abstract

This paper examines the rescaling (“refresh”) of major equity indices at a ratio of 1:10, using the examples of the DAX, Dow Jones Industrial Average, Nikkei 225 and Swiss Market Index, which in August 2026 trade between roughly 14,500 and 63,800 points. Building on the evidence of the decades-long constancy of nominal US share prices (Weld et al. 2009), it argues that the price maintenance institutionalised at the level of individual stocks through stock splits has a functional equivalent at the index level. The paper derives why index levels grow exponentially for structural reasons — the retention of earned returns on equity, inflation, share buybacks, index maintenance — and systematises the effects of a refresh along three channels: the correction of non-proportional thinking (Shue/Townsend 2021), the defusing of risk perception in media coverage, and the reduction of derivative contract sizes.

Three implementation variants are underpinned by precedents (Borsa Istanbul 1997 and 2020; AEX 1999). The conclusion is clear: a 1:10 refresh is economically neutral,

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implementable at low technical cost and grounded in behavioural economics; a threshold rule at 10,000 points is proposed.

Keywords: equity indices · stock split · rebasing · money illusion · non-proportional thinking · market infrastructure.

JEL codes: G10, G14, G41, G53.

Non-Technical Summary

Equity indices such as the DAX rise systematically over long horizons. This rise is neither an accident nor a sign of overvaluation, but the consequence of a simple mechanism: companies earn a return on their equity, distribute only part of it, and retain the rest. The retained capital earns a return again in the following year — compound interest at work. Added to this are inflation, share buybacks and the ongoing renewal of the indices, in which weak companies are replaced by strong ones. At customary rates of return, index levels therefore double roughly every ten years: at seven per cent per year, the Dow Jones would stand at 100,000 points in around nine years.

As point levels rise, however, distortions of perception increase. Investors process market movements in points rather than in percentages: the headline “Dow loses 1,000 points” suggests a parallel with October 1987 — in fact, in August 2024 it corresponded to a decline of 2.6 per cent, whereas the 508 points of 1987 meant a loss of 22.6 per cent. High point levels also make it harder for market newcomers to get their bearings, because the index level is misread as a measure of valuation, and they lead to large contract values in the futures market.

For individual stocks, the solution has been routine for almost a century: the stock split. American companies have kept their share prices at an average of around 35 dollars since the Great Depression, and the Tokyo Stock Exchange now actively demands splits from its listed companies. This paper proposes transferring the same principle to the indices: all levels are divided by ten — 26,500 DAX points become 2,650. Returns, chart histories and valuations remain unchanged; Borsa Istanbul has carried out such a rescaling twice, and the Amsterdam AEX was converted accordingly at the euro changeover in 1999. A simple rule is proposed: once a benchmark index sustainably exceeds 10,000 points, it is rescaled at a ratio of 1:10.

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1 Introduction

In August 2026, the Dow Jones Industrial Average trades at around 53,800 points and the Nikkei 225 at 63,800, the DAX has crossed the 26,500-point mark for the first time, and the Swiss Market Index has reached roughly 14,500 points (finanzen.net/finanzen.ch 2026). All four benchmark indices thus stand at record levels; at the same time, they share a rarely discussed problem: the numbers in which capital markets are communicated grow exponentially and drift ever further from the orders of magnitude within which human judgement operates reliably (Shafir/Diamond/Tversky 1997; Shue/Townsend 2021).

At the level of the individual stock, this problem was solved almost a century ago. US companies keep the nominal prices of their shares within a narrow corridor through recurring splits (Weld et al. 2009); the Tokyo Stock Exchange has recently elevated the lowering of minimum investment sizes to a matter of exchange policy (Japan Exchange Group 2026; Japan Times 2025). At the level of the indices, no comparable mechanism exists: index levels have been rising for decades without corrective scaling, even though — unlike share prices — they are pure computational quantities without any ownership or payment claim and could therefore be rescaled without any economic intervention whatsoever.

The present paper closes this gap conceptually. It formulates the proposal of a “refresh of index levels”: a rescaling of major equity indices at a ratio of 1:10 as soon as their level sustainably exceeds the 10,000-point mark. Chapter 2 reconstructs the American tradition of price maintenance through stock splits and its recent renaissance. Chapter 3 derives why index levels rise over the long run for structural reasons and quantifies the foreseeable trajectory. Chapter 4 systematises the expected effects of a refresh along behavioural, media-related and microstructural channels. Chapter 5 develops three implementation variants together with precedents and governance, Chapter 6 discusses objections and limitations, and Chapter 7 documents the positions of market participants and infrastructure providers. Chapter 8 concludes.

2 The Stock Split as Institutionalised Price Maintenance

2.1 The Constancy of Nominal Share Prices in the United States

The empirical starting point of the split literature is remarkably stable: the average nominal price of a share listed on the New York Stock Exchange has remained almost unchanged at around 35 US dollars since the Great Depression — over a period in which the general price level rose more than tenfold (Weld et al. 2009). This constancy is not a market outcome in the narrow sense but the result of active corporate policy: boards split their shares as soon as the price clearly exceeds the norm. Weld et al. (2009) test the standard explanations — signalling and optimal trading ranges — and reject them as insufficient; the authors interpret the practice as a social norm. Baker/Greenwood/Wurgler (2009) add a demand-side explanation (the catering hypothesis), according to which management uses low nominal prices to serve time-varying investor demand for low-priced stocks. Birru/Wang (2016) show, complementarily, that investors systematically ascribe more upside potential to low-priced stocks — a nominal illusion documented with options data.

For the purposes of this paper, the decisive point is less the theoretical explanation than the institutional fact: the maintenance of nominal price magnitudes has been routine in the world's oldest and largest equity culture for roughly nine decades. Stock splits are economically neutral — they change neither market capitalisation nor ownership stakes — and precisely this neutrality makes them the appropriate reference model for a rescaling of index levels.

2.2 The Split Renaissance of 2020–2024

The prevalence of splits fluctuates cyclically. In the late 1990s, by Goldman Sachs's count, around 15 per cent of the companies in the Russell 1000 split their shares each year; after the financial crisis of 2008/09 the practice came to a near standstill (Goldman Sachs 2024). Since 2020, a marked renaissance has been observable: Apple (4:1, 2020), Tesla, and Amazon and Alphabet (20:1 each, 2022) marked the beginning; in 2024 they were followed by Walmart (3:1), Nvidia (10:1) and Chipotle with a 50:1 split, one of the largest in NYSE history (Chipotle 2024). The issuers' stated reasons converge on one motive: keeping the share affordable for employee share ownership programmes and a broad investing public. In Nvidia's case there was an additional index-mechanical side effect — only the reduced price made the stock eligible for the price-weighted Dow Jones, into which it was admitted in November 2024.

The capital market impact is documented. Bank of America Global Research puts the average price gain of companies in the twelve months following a split announcement since 1980 at around 25 per cent, compared with roughly 12 per cent for the market as a whole (CNBC 2025). Goldman Sachs (2024) measures, across 45 splits in the Russell 1000 since 2019, an average price rise of four per cent in the week following the announcement, as well as markedly increased retail investor activity: the share of retail trading rose at Nvidia from 17 to 23 per cent after the 2021 split, and at Amazon from 14 to 21 per cent in 2022. Causal caution is warranted — split announcements typically follow strong price runs — but the finding of increased accessibility and trading activity is robust.

2.3 Japan: Price Maintenance as Exchange Policy

That price maintenance can be a matter not only of corporate but also of infrastructure policy is demonstrated by Japan. The Tokyo Stock Exchange formally recommends that its listed companies keep the minimum investment per trading unit below 500,000 yen, and points to surveys showing that retail investors prefer entry sizes around 100,000 yen (Japan Exchange Group 2026). In the course of the NISA reform, the exchange explicitly called on around 270 companies above the threshold to consider a split (Finance Magnates 2026). The effect was immediate: the number of split announcements rose by around 60 per cent to 191 in the financial year to March 2026; the share of affected companies with entry sizes above 500,000 yen fell from 45 to 2 per cent (Japan Times 2025). An exchange organisation is enforcing here what this paper proposes for indices: the systematic return of nominal magnitudes to an intuitively accessible range.

3 Why Index Levels Rise over the Long Run

3.1 The Retention Mechanism

The long-run rise of equity indices follows from how companies deploy their earnings. If ROE denotes the return on equity and b the retention ratio, then equity per share — and, at stable profitability, earnings per share — grows at the rate $g = b \cdot \text{ROE}$. A company that sustainably earns 12 per cent on its equity and retains half of it accordingly grows at around 6 per cent per year without any external factors at work; inflation and real economic growth come on top. This is the same compound interest mechanism that Ruppachter (2026) develops for the investor's savings process; at the corporate level it means that retained earnings themselves generate a return in the following year.

At constant valuation, earnings growth translates one for one into prices. The index level is thus, at its core, capitalised retention: it accumulates what the constituent companies have built up over decades in earned and reinvested returns on equity.

3.2 Amplifiers: Inflation, Buybacks, Index Maintenance, Index Construction

Four factors further accelerate the rise in point levels. First, revenues and profits are nominal quantities: over the long run, inflation passes fully through the income statement; equities securitise real assets. Second, share buybacks — long a central distribution channel in the United States — reduce the number of shares outstanding and lift the growth of earnings per share above that of corporate profits. Third, index maintenance itself acts as a selection mechanism: decliners leave the index and risers move up, so that a benchmark index systematically contains the most vital companies of an economy. Fourth, and finally, index construction matters: as a performance index, the DAX arithmetically incorporates dividends into the index level (STOXX 2026); a substantial part of its 26,500 points represents reinvested distributions that are not contained in the price index calculated in parallel. A comparison with the SMI (a price index) or the Dow Jones is therefore, even today, a comparison of points in form only.

3.3 Long-Run Evidence

The empirical basis of the long-run rise in equities is exceptionally broad. The database of Dimson/Marsh/Staunton (2026) covers 126 years and 35 markets: US equities delivered a real — that is, inflation-adjusted — return of 6.6 per cent per year from 1900 to 2025; one dollar invested in 1900 grew to 3,296 dollars in real terms. Siegel (2022) documents, for even longer US series, real equity returns of 6.5 to 7 per cent per year as a remarkably stable constant. In nominal terms — that is, in index points — growth rates are higher by the rate of inflation. The rise in index levels is accordingly not an artefact of the recent bull market but the expected property of capital-based economies.

3.4 The Arithmetic of Doubling

From constancy of returns follows exponentiality of levels. At a nominal seven per cent per year, an index doubles roughly every ten years under the rule of 72. Table 1 shows the starting position of the four indices considered; Table 2 shows the projection that follows from it. The orders of

magnitude are unambiguous: under this — historically unremarkable — assumption, the Dow Jones reaches six-digit levels within around nine years, the Nikkei follows shortly thereafter, and the DAX within two decades. Five- and six-digit index levels are not an anomaly but structurally built in.

Table 1: Starting position of the four benchmark indices and the effect of a 1:10 refresh

Index	Index concept	Start / base	Level 08/2026	After 1:10 refresh
DAX	Performance index (dividends reinvested)	1,000 points (end of 1987)	approx. 26,500	2,650
Dow Jones	Price-weighted, divisor 0.162	Calculated since 1896	approx. 53,800	5,380
Nikkei 225	Price-weighted	Calculated since 1950	approx. 63,800	6,380
SMI	Price index	1,500 points (mid- 1988)	approx. 14,500	1,450

Source: Index levels rounded, 11/12 August 2026; finanzen.net/finanzen.ch (2026); S&P Dow Jones Indices (2026); Nikkei Inc. (2025); SIX (2026); STOXX (2026).

Table 2: Projected index levels at 7 per cent nominal growth per year

Index	2026	2031	2036	2046
DAX	26,500	37,200	52,100	102,500
Dow Jones	53,800	75,500	105,800	208,200
Nikkei 225	63,800	89,500	125,500	246,900
SMI	14,500	20,300	28,500	56,100

Source: Own calculations; starting values from Table 1, rounded. The assumption of 7 per cent corresponds to the order of magnitude of long-run nominal equity returns (Dimson/Marsh/Staunton 2026; Siegel 2022).

4 Effects of a Refresh

4.1 Non-Proportional Thinking and Nominal Illusion

The central behavioural finding is due to Shue/Townsend (2021): market participants process price changes partly in absolute units rather than in percentages (“non-proportional thinking”). The authors show that low-priced stocks react to identical information with markedly larger percentage moves — a doubling of the price level is associated, *ceteris paribus*, with roughly 20 to 30 per cent lower volatility and a lower beta — and that volatility rises after stock splits and falls after reverse splits. The pattern stands in the tradition of money illusion (Shafir/Diamond/Tversky 1997): nominal units dominate perception even though, economically, only ratios matter. Birru/Wang (2016) add that the illusion also distorts expectation formation: more upside potential is ascribed to low nominal magnitudes.

Transferring this evidence to indices, it follows that the point level itself is perceptually relevant. An index at 53,800 points produces four-digit daily moves that are perceived as large in absolute

units but are unremarkable in percentage terms. A refresh at a ratio of 1:10 shifts the units back into a range in which absolute and relative perception are again closer together.

4.2 Media Coverage and Risk Perception

The mechanism operates above all through the media, which headline market movements predominantly in points. The headline “Dow loses more than 1,000 points” described, on 5 August 2024, a daily loss of 2.6 per cent (1,033 points); on 19 October 1987, 508 points meant a crash of 22.6 per cent; on 5 February 2018, 1,175 points were 4.6 per cent; on 16 March 2020, almost 3,000 points were 12.9 per cent. Four “record losses” in points — four economically very different events. As long as index levels grow, every correction produces new point records and thus systematically overstated risk signals to broad groups of investors. After a 1:10 refresh, 2.6 per cent in the Dow would correspond to around 140 points; the nominal overstatement would disappear without any loss of information.

4.3 Index Level versus Valuation

A second perceptual error concerns the confusion of index level and valuation. Experience shows that investors hesitate at “all-time highs” because high point figures are read as a signal of expensiveness. Economically, however, the point level is valuation-free; valuation measures the ratio of price to a fundamental quantity. Thus in August 2026, despite continuing record levels, the S&P 500 traded at a forward twelve-month price-earnings ratio of 20.0, close to its five-year average of 19.9 (Butters 2026). A refresh decouples the optics of the index level from the valuation question: a level of 2,650 points does not trigger the same expensiveness association as 26,500 — even though both figures carry the same information. For savings-plan investors and those entering the workforce, this lowers a demonstrably effective psychological entry barrier (cf. the accessibility findings in Chapter 2.2).

4.4 Market Microstructure: Contract Sizes and Product Design

At the product level, the points problem is already measurable today. The DAX future (FDAX) represents 25 euros per index point; at 26,500 points this corresponds to a contract value of more than 660,000 euros. The derivatives exchanges have responded with a cascade of downsized contracts: Eurex introduced the Mini-DAX future (5 euros per point) in 2015 and the Micro-DAX future (1 euro per point) in 2021 (Eurex 2021); the CME launched its Micro E-mini futures — one tenth of the E-mini size — in 2019 and, by its own account, recorded the most successful product launch in its history (CME Group 2019). Economically, this product proliferation is a treatment of the symptoms of the elevated point level: it fragments liquidity across several contract sizes, where a rescaling of the underlying would fix the problem at its root. Options series, strike grids and the barriers of structured products would also become more manageable again after a refresh.

4.5 Communication and Comparability

Finally, everyday capital market communication stands to gain. One per cent in the DAX corresponds to 265 points today, and to 26.5 after the refresh — mental arithmetic becomes possible again. At the same time, the major benchmark indices would move into a similar order of magnitude

(2,650, 5,380, 6,380, 1,450), whereby point differences between indices lose their spurious significance. That such differences were never comparable in the first place — the DAX includes dividends, the Dow is price-weighted, the SMI is a price index — is a finding about index construction (Chapter 3.2) that the refresh does not remove but visibly defuses.

5 Implementation: Variants, Precedents, Governance

5.1 Three Implementation Variants

Table 3 systematises the implementation routes. Variant A is the direct route: on an effective date, the index provider multiplies the divisor by a factor of 10 or adjusts the base value — for the Dow Jones, for instance, from today’s 0.162 to 1.62 (S&P Dow Jones Indices 2026) — and divides the historical series by ten. All returns, volatilities and correlations are preserved exactly; the only thing that changes is the labelling of the axis. Variant B uses the mechanics of price-weighted indices: a coordinated 1:10 split by all constituents, with the divisor exceptionally left unadjusted, immediately sets the Dow Jones or the Nikkei to one tenth. In capitalisation-weighted indices such as the DAX and SMI, by contrast, a stock split leaves the index level unchanged by construction, since price and share count move in opposite directions; there, splits act on the entry barrier per share and make sense as an accompanying measure on the Japanese model, but are unsuitable as a substitute for rescaling. Variant C, finally, establishes a parallel index that is published alongside the old series for a transition period — analogous to today’s coexistence of the price and performance DAX — and onto which derivative products migrate at expiry.

Table 3: Implementation variants of a refresh at a glance

Variant	Mechanics	Suitability and precedent
A: Rescaling by the index provider	Divisor $\times$ 10 or base-value adjustment on the effective date; historical series $\div$ 10	All index concepts; precedent: Borsa Istanbul 1997 and 2020, AEX 1999
B: Coordinated stock splits by the constituents	1:10 split of all constituents without divisor adjustment	Price-weighted indices only (Dow Jones, Nikkei 225); useful as a complement (Japanese model)
C: Parallel index with migration	New series alongside the legacy index; derivatives migrate at expiry	All index concepts; analogous to the price/performance DAX; greater effort

Source: Compiled by the author.

5.2 Precedents

The rescaling of index levels is not a theoretical construct but accomplished practice. At the start of 1997, Borsa Istanbul struck two zeros off its benchmark index (103,500 became 1,035) and repeated the operation in July 2020 for its entire index family; the base values were divided by 100, while prices and asset values remained untouched (Daily Sabah 2020). The Amsterdam AEX was divided by the official conversion factor of 2.20371 at the start of the euro on 1 January 1999 — an overnight rescaling without market disruption. And the Dow Jones itself documents the arbitrariness of the

point unit most clearly: its divisor has been adjusted continuously since the 30-stock structure was introduced in 1928 and has stood below one since 1986, currently at 0.162 — every dollar of price change in a constituent moves the index by a good six points (S&P Dow Jones Indices 2026). The point level has long been a pure computational convention; the refresh merely makes this convention intuitive again.

5.3 Governance and the Regulatory Framework

Formally, the decision rests with the index administrators — STOXX/ISS for the DAX, S&P Dow Jones Indices, Nikkei Inc. and SIX. Methodology changes there follow an established procedure of public market consultation, announcement and changeover on an effective date; FTSE Russell, for instance, has recently consulted several times on reconstitution frequency and capping rules (FTSE Russell 2024). In the European Union, the Benchmark Regulation (EU) 2016/1011 provides the framework, prescribing transparency and consultation obligations for material changes of methodology. With an announcement period of six to twelve months, the intervention would remain minor in practice: index funds and ETFs are unaffected, since their unit value does not depend on the point level; futures and options are transitioned via multiplier and strike adjustments — a routine operation that clearing houses perform with every stock split. Beyond its simplicity, the factor of 10 has the advantage of preserving mental convertibility: every historical mark remains directly convertible; the 2020 low of around 8,300 DAX points becomes 830.

6 Objections and Limitations

Three objections need to be examined. The first concerns changeover costs: databases, trading and risk systems, documentation and investment guidelines reference point levels. These costs are incurred once and correspond in structure to the ordinary index changeovers that providers carry out regularly; the precedents from Istanbul and Amsterdam report no notable frictions. The second objection is communicative in nature: round record marks — “Dow 100,000” — have marketing value for the equity culture. Against this it must be held that this value is fed precisely by the money illusion whose correction is the subject of this paper; a benchmark whose attractiveness depends on nominal artefacts rests on a perceptual error. The third objection follows Warren Buffett’s well-known position on Berkshire Hathaway, according to which a deliberately high nominal price acts as a filter for short-term-oriented investors (CNBC 2022). At the level of an individual stock this is consistent; it cannot be transferred to a benchmark index, which is by definition the yardstick for all market participants — and even Berkshire created an accessible share class with the B share, which was split 50:1 in 2010.

As to the limitations of the analysis: direct causal evidence on index rescalings barely exists, since the documented cases (Istanbul, Amsterdam) were not designed as controlled experiments and were overlaid by currency and inflation events. The effect hypotheses developed here therefore transfer evidence from the stock split and money illusion literatures to the index level by analogy. This transfer is plausible — the perceptual mechanisms are tied to units, not to instruments — but remains to be validated empirically. An actual refresh of a major benchmark index would, in this respect, at the same time offer a natural experiment of considerable research value.

7 Positions of Market Participants and Infrastructure Providers

A systematic review of publicly available research and position papers shows that, to date, no explicit view on a rebasing of Western benchmark indices has been published by any of the major houses — neither by Goldman Sachs, Morgan Stanley, HSBC or Deutsche Bank, nor by Pictet, Julius Baer or Safra Sarasin; the exchange and index operators London Stock Exchange Group, Deutsche Börse and SIX have not commented either (as of August 2026). Measured against the practical relevance of the question, the professional debate is as yet barely developed.

The individual components of the evidence underlying the argument are nevertheless documented at those very addresses. Bank of America provides the outperformance statistics following split announcements (CNBC 2025), Goldman Sachs the evidence on accessibility and retail investor activity (Goldman Sachs 2024), and UBS, with the Global Investment Returns Yearbook, is responsible for the long-run evidence from which the growth of point levels necessarily follows (Dimson/Marsh/Staunton 2026). The Japan Exchange Group operates price maintenance as a programme (Japan Exchange Group 2026), Borsa Istanbul has twice operationally executed the rescaling of entire index families (Daily Sabah 2020), and S&P Dow Jones Indices has documented for decades, through its divisor methodology, that index levels are conventions that can be rebased in a value-neutral way (S&P Dow Jones Indices 2026). The synthesis of these components into a consistent proposal for change is the contribution of the present paper.

8 Conclusions

Benchmark indices rise for structural reasons: earned and retained returns on equity, inflation, share buybacks and the selection effect of index maintenance double point levels roughly once a decade. The United States has shown for nearly a century that the maintenance of nominal magnitudes is part of the infrastructure of well-functioning equity markets; Japan has recently elevated it to exchange policy. A refresh of index levels at a ratio of 1:10 transfers this principle to the benchmark itself. It is economically neutral, implementable at low technical cost and historically tested; its expected effects — correcting non-proportional thinking, defusing media risk signals, lowering psychological entry barriers, reducing derivative contract sizes — are well grounded in the split and money illusion literatures.

As an operational rule, it is proposed that once a benchmark index sustainably exceeds the 10,000-point mark, the administrator rescales it at a ratio of 1:10 following public consultation. For the DAX, Dow Jones, Nikkei 225 and SMI, the threshold would already be reached or exceeded today. Index providers are recommended to open a market consultation; a first completed refresh would at the same time offer empirical research a natural experiment.

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