

Impact of Coronavirus on Stock Market

Reepu¹, Ritu Sharma², Ashita Chadha³

¹Assistant Professor, Department of Management, Chandigarh University, Punjab.

²Assistant Professor, Department of Management, Chandigarh University, Punjab.

³Professor and HOD, University Institute of Liberal Arts, Chandigarh University, Punjab.

E-mail: ¹reepu.usb@cumail.in, ²ritu.sharma@cumail.in,
³ashita.chadha@cumail.in

Abstract

The world has been suffering from Corona pandemic called as COVID-19. It has spread to more than 170 nations with the death toll being massive. Several thousand people have also recovered. Many pharmaceutical companies are testing to develop medicines and vaccines to cure the disease, but success has not been achieved yet. Wuhan of China reported about it in December and today four month later life has started to revert to normalcy there but the world is gripped under curfews, lock-down which has brought financial slowdown and crippled economic growth. Stock markets are also not devoid of its impact. Different nations have extended help to each other but yet the overall impact of COVID-19 is immeasurable. The present paper is an attempt to study the impact of COVID-19 on stock exchanges across the world. The implication of this study is that the managers may think to provide a solution in this tumultuous situation.

Keywords: China, COVID-19, economic growth, pandemic, stock market etc.

1. INTRODUCTION

Contemporary world is suffering from a contagious newly minted COVID-19. At its onset there is middling gasping issues which are preventive by undertaking precautionary measures. As per WHO, the syndrome comprises of

- fever,
- fatigue
- dry cough.

There may be even

- Breathing difficulty
- Spasm
- Sore Throat

Since COVID-19 unfurls across manifold nations at the same time so it has been declared as pandemic by World Health Organization. Wuhan a place of China, where it all initiated is now onto a stage where just a single case has arrived, as per the BBC reports. As per

worldometer reports, there are 597,607 cases of coronavirus, death toll has reached to 27,371 and recovered cases have been 133,377 as of March 28, 2020.

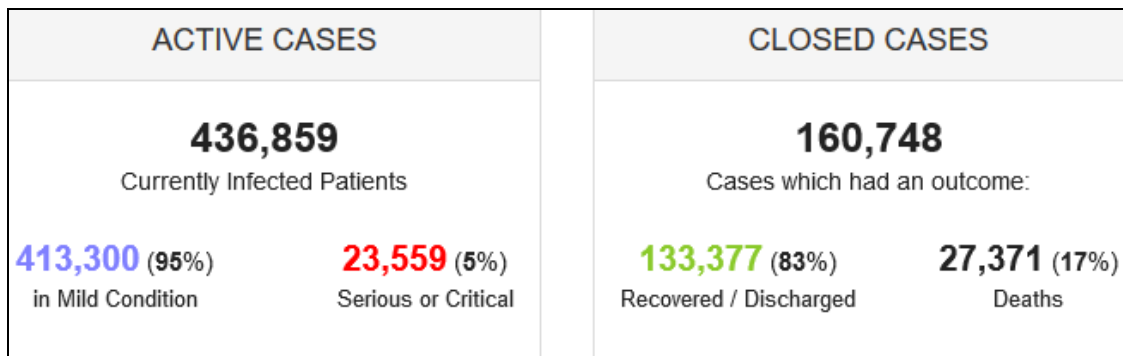


Fig.1 Active and Closed Cases of COVID-19

However, the world statistics as per WHO can be graphically seen as:

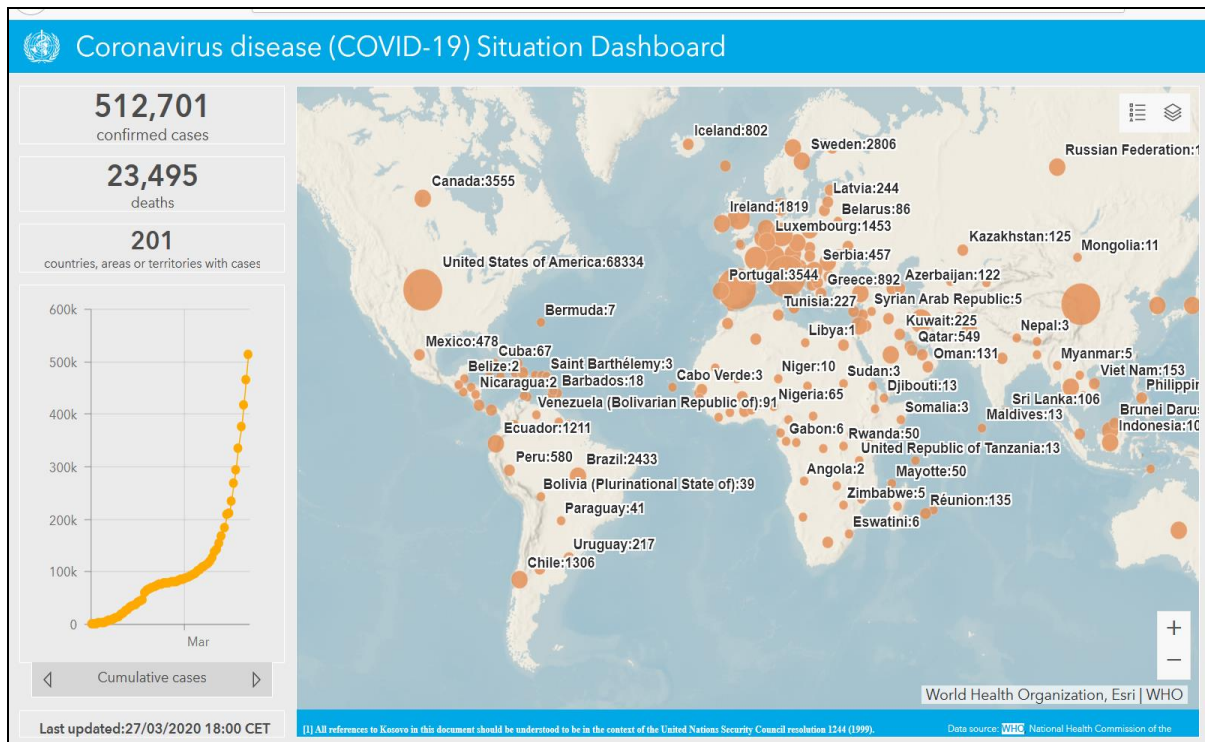


Fig.2 COVID Dashboard, as of March 27, 2020 (Source WHO).

Those affected include China, Singapore, U.S., Japan, Thailand, Hong Kong, South Korea, Malaysia, Taiwan, Vietnam, Australia, Macau, India, Philippines, Nepal, Cambodia, Canada, Germany, France, Britain, Italy, Russia, Spain, Finland, Sweden, Belgium, U.A.E, Egypt and several others.

2. LITERATURE REVIEW

[1] researched about different diagnosis levels of COVID-19 and establishment of nCapp on the basis of Internet of Things. [2] said that mass gatherings are a key to the expansion of such outbreak. Therefore, efforts must be taken to prevent the same. [3] said that countries with low HAQ-index can have less COVID-19 cases. [4] have summarised the pathogenicity of COVID-19. Researchers have also discoursed therapeutic combinations in order to combat with this outbreak. [5] believed that enhanced Traffic Control Bundling can interject the community to community transmission and which therefore, may save the life of several.

3. MAD MARCH

Many have considered the month of March 2020 as mad march. The reason to this is the stock market plunge. Stock Markets have been hit hard across the world due to pandemic. Traders are panicked with fear. It has been found that circuit breakers have triggered for four times in month of March only. S&P 500 Index, Nikkei etc have undergone the following patterns which commenced on 31st December:

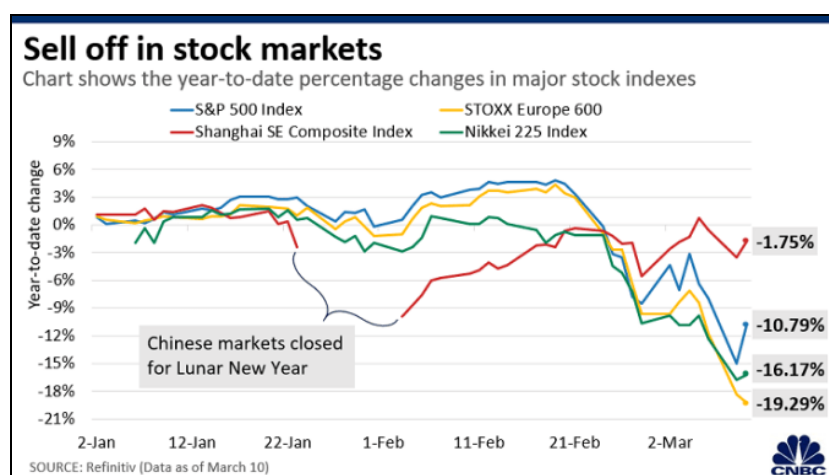


Fig. 3 Dow Jones, Nikkei, FTSE stock market plunges (Source: CNBC)

In response to the current situation, many of world economies have slashed market interest rates. But still several analysts believe that market can remain volatile until the COVID-19 is contained. The week on week slump percentage change of FTSE can be presented as:

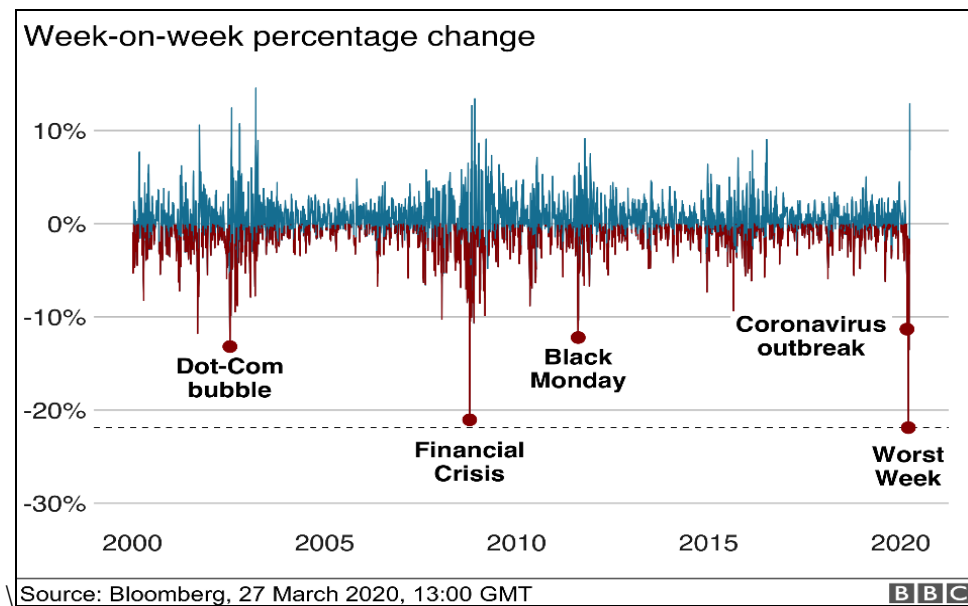


Fig. 4 Week on Week Percentage Change of FTSE (Source: BBC)

There was the prevalence of Dot-com bubble as shown in above diagram, once, which arose due to huge speculation for internet related companies. Similarly, financial crisis was a situation wherein massive financial assets lost their nominal value. Black Monday was a crisis wherein Dow Jones Industrial Average was on a loss of \$500 billion. And now the COVID-19 outbreak wherein losses are became additive.

Giant organizations like Apple, Microsoft, Google, Amazon etc have seen a downtrend of nearly 20% value from their nearest peaks. Various semiconductor organizations have seen a decline of 30%. Software organizations for instance Salesforce, Service now have also seen a decline.

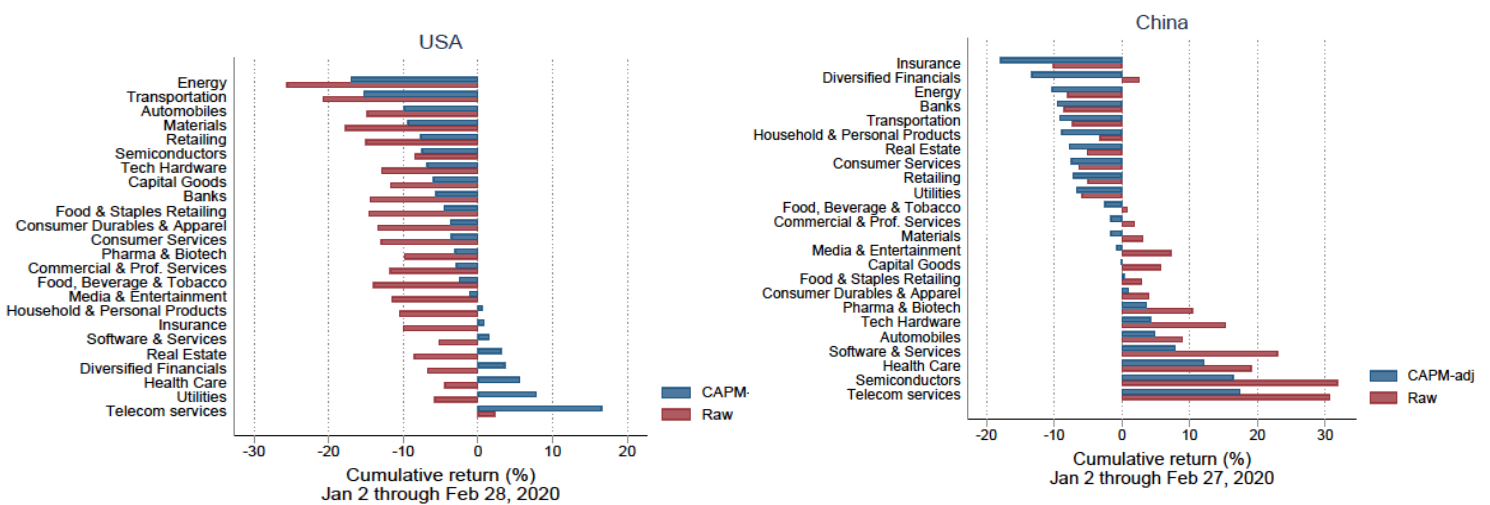
Retailing, energy, transportation was seeing a decline in both China and US. Healthcare have been growing in both the nations. Utilities have probably lost in China, but have gained in US. However, the picture became more different in March due to severe outbreak.

Stock cumulative returns by two major giants i.e. China and U.S. can be portrayed as below:

Fig.5 Cumulative Return (Source: BBC)

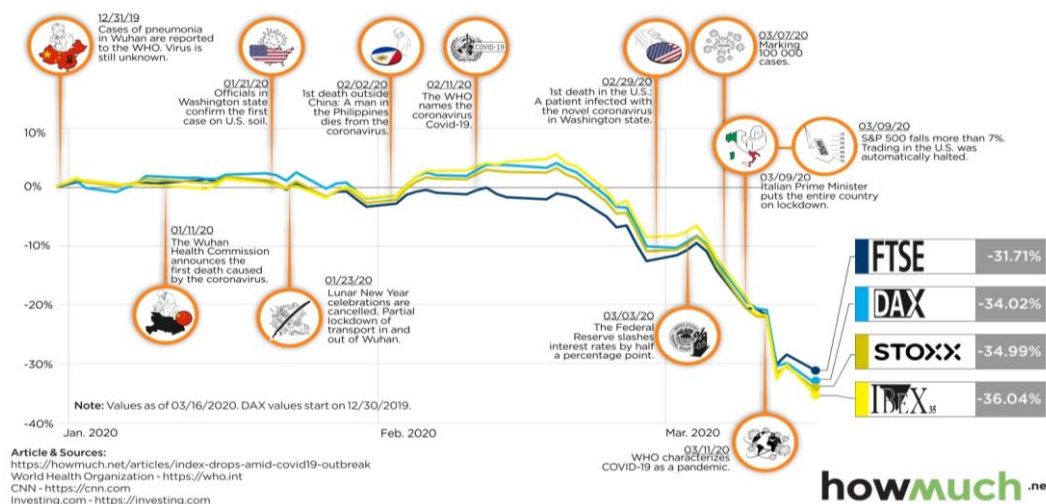
European Stock Exchange

The drop had also been realised in European Markets. Entire January as well as the first mid of February was bullish. But through March 9, Prime Minister of Italy had declared lockdown for the entire nation. It has been realised that European markets underwent -30% since the inception of this year. This can be presented diagrammatically as:



Indian Scenario

- ✚ Central Bank lessened the interest rates in order to combat with COVID-19.
- ✚ Nifty 50 had been wavering with gains along with losses.
- ✚ S&P Sensex have decreased to 0.7%.
- ✚ RBI decreased the repo rate as well as reverse repo rate by 75 and 90 basis points respectively.



- ✚ Indian monetary currency Rupee have strengthened to 74.77 against dollar.
- ✚ Stimulus package greater than \$22 billion has been announced to aid the households.
- ✚ Equity linked Mutual Fund Schemes too, have given an undesirable negative return of 25%.

Safe Haven Assets

It has been believed by several, that investors choose gold as one of the safe investment avenues. But even gold has not been devoid from COVID19 impact as shown below:

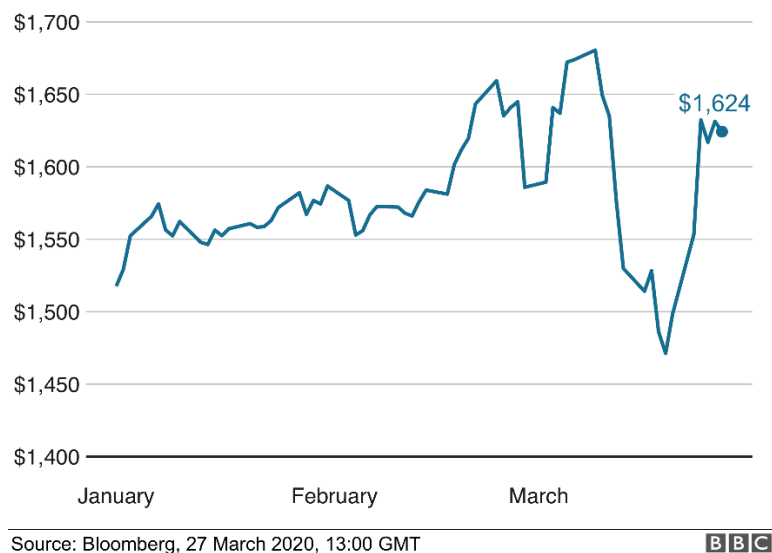


Fig.7 Gold Prices (Source: BBC)

4. SOLUTION SEARCH

- Three out of Five G7 countries have already lowered central bank interest rate. While two others i.e. European Central Bank and Bank of Japan are at 0% and (-0.10%) so they do not think of further lowering down.
- Equity participation can be one of solution.
- Moreover, it becomes essential to combat this pandemic through modification of social interactions.
- Government definitely need to initiate economic relief plans to yield prosper to those business who live on margin.

5. CONCLUSION

Present COVID-19 scenario demands a break in the chain of events that is why there is an emergence of curfews as well as lockdowns. The awareness of chain break will reduce the infection spread which may bring affluence. This definitely will yield positive outcomes over stock exchange too. Henceforth panicking will not pose solutions rather awareness will initiate opulence.

6. REFERENCES

- [1] L. Bai *et al.*, “Chinese experts’ consensus on the Internet of Things-aided diagnosis and treatment of coronavirus disease 2019,” *Clin. eHealth*, vol. 3, 2020, doi: 10.1016/j.ceh.2020.03.001.
- [2] S. Ebrahim and Z. Memish, “COVID-19 – the role of mass gatherings,” *Travel Med. Infect. Dis.*, vol. 34, p. 101617, 2020, doi: 10.1016/j.tmaid.2020.101617.
- [3] H. Lau *et al.*, “Internationally lost COVID-19 cases,” *J. Microbiol. Immunol. Infect.*, vol. 53, 2020, doi: 10.1016/j.jmii.2020.03.013.
- [4] M. Shereen, S. Khan, A. Kazmi, N. Bashir, and R. Siddique, “COVID-19 infection: Origin, transmission, and characteristics of human coronaviruses,” *J. Adv. Res.*, vol. 24, 2020, doi: 10.1016/j.jare.2020.03.005.
- [5] M.-Y. Yen, J. Schwartz, S.-Y. Chen, C.-C. King, G.-Y. Yang, and P.-R. Hsueh, “Interrupting COVID-19 transmission by implementing enhanced traffic control bundling: Implications for global prevention and control efforts,” *J. Microbiol. Immunol. Infect.*, vol. 53, 2020, doi: 10.1016/j.jmii.2020.03.011.