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A DISCUSSION ON FACTORS AFFECTING STOCK MARKET PRICES: THE PANDEMIC VIEW

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Abstract

The Coronavirus Pandemic has been one of the most devastating events mankind has been through. It remain incurable for months before a vaccine was found and a sense of relief generated in the minds of human beings around the world. The Covid-19 virus as named by W.H.O. led to lockdowns observed around the world country-wide. Countries later on came out of the lockdowns but still frequent number of coronavirus cases led to imposition of lockdowns and curfews again and again of shorter intervals. The paper aimed at discussing the root cause of greatest ever downfalls observed in the stock markets around the globe ends with a conclusion that factors like increased technology, greater awareness, connectivity, sense of fear, perception, economic expectations, etc. have been the major drivers to such sudden events.

Keyword: *Coronavirus, Pandemic, Investments, Stocks.*

INTRODUCTION

In the recent times, almost all the stocks have seen the bottom in a decade. This is due to the world-known Pandemic of 2020. The "Coronavirus" pandemic has caused more than 150,000 deaths in a short time span of 10 months in India. The total number of cases around the world affected by this virus has exceeded 73 million. India has recorded more than 10 million cases out of the total. Stock Market which moves on a sentiment and ahead of economic events, has bottomed in the April-May month of 2020. From that point of time, market has not been able to recover till date. The analysts even say that the world economy might have been pulled back by almost 10 years due to the global distress. According to a report, the after-effects of the pandemic will lead to nearly 4-5 years of perseverance to get the economy on track. However, the December month in India is a little bit different. The respective month is showcasing the stock markets at all-time high. BSE Sensex has crossed the 45000 Rs. mark, while the Nifty has touched 13500 Rs. Further, the continuous losses incurred by tourism industry, automobile industry, hotel-restaurant industry, etc. is causing a major distress in the minds of 'not-so arduous' investors about the current highs of stock indices indicating a bubble or a major breakthrough. The similar slowdown was faced by the countries around the world during the mortgage crisis of 2007-08. The documentaries and movies however showed how some people were still able to make it big even when the majority of the word population lost their money, some becoming bankrupt. That period came to be known as the period of Great Recession which originated from the US. Whereas, the coronavirus pandemic has originated from the Wuhan City of China where the first case of the unsolved issue came in limelight. The vaccination program- which is to develop the most effective vaccine against coronavirus- run by many countries around the world is on the verge of completion. Companies like Pfizer, BioNTech, Serum Institute of India, etc. have been the most talked among all. Russia's Sputnik-V has resulted around 90% efficiency in beating the novel virus. With the completion of many vaccine developing programs, the world population might feel a sense of ease and get back to doing their usual course of business in day to day life.

LITERATURE REVIEW

Castellanos, A. M. et. al (2011) stated that NYSE had impacted some of the major countries in the world. More than 20 stock exchanges were seen to have impacted within a span of eight days. Using correlation they showed how all the stock exchanges around the world are connected to each other and generally move in tandem.

D McMinn (2020) in the study made by him said how a recession may hit the biggest countries by wealth in the year 2020 due to the issues faced by the world recently. The commencement of recession being February 12 as concluded by him.

D Zhang et. al (2020) focuses on stock market risks involved in the recent times led by global issues. The data

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given by him indicates the effect of Covid-19 around the market. The virus has globally impacted the top countries around the world as the larger countries had a more devastating effect compared to the smaller ones. Hence, uncertainty exists in the markets around the globe.

Tripathi, S. and Chaubey, A. (2020) conducted a study on six months span making a comparative analysis between the stock market ups and downs of Sub-prime Crisis era with the fluctuations recorded in the Covid-19 pandemic situation. The study resulted that the sub-prime crisis recorded heavier downfalls in comparison to the coronavirus pandemic. Further, the paper used techniques like correlation, standard deviations, analysis of variance, charts, etc. to compare the five stock indices of the major stock exchanges around the world.

OBJECTIVE OF STUDY

The primary objective of the current study is to bridge the gap between the previous researches and incorporate the current world happenings. This study would also make a comparison between the ongoing pandemic situation and the sub-prime crisis on the basis of stock market events. In the meantime, the following paper is also aimed at providing insights into the key aspects of stock investments indicating some intriguing argument.

DISCUSSION

The stock market has consistently seen ups and downs from its inception. Though the general trend has been bullish on long run. The Coronavirus pandemic is one such event where the markets fell drastically out of the rare events that has put such a large scale distress on the market. The article tries to capture the major reasons leading to such heavy concerns arising in the recent times.

Economic Perspective: - Majorly the movements in the market are dependent on a long run with economic measures and data. For example, the market will follow the economic growth in a longer duration. Leading to such indicators it was observed in the pandemic times that institutions like International Labor Organization, United Nations, CMIE, etc. constantly published reports that showed how drastically the economy is deteriorating due to the lockdowns imposed by governments during the lockdowns. This was enough to generate a sense of fear in the minds of investors around the world causing sudden outflow of funds from the investment instruments causing heavy price deterioration ahead of the economic slowdowns. Hence, it can be rightly said that the investment market moves ahead of the economic events which causes heavy opportunities for investors possible.

Investor's Perception: - It is well known to each and every one in the world having a minimum basic education that stock markets work majorly on expectations of the investors. If the majority of investments have been directed towards the uptrend then the market moves up and if the majority of investments have been directed towards the downtrend then the market moves down. The direction of investments depend on the confidence of investors upon the market. If the investors have lost confidence on the bulls then surely the highest bids will be for the downside movement. Thus, the similar scenario of loss in confidence was seen among the investors due to the coronavirus pandemic as there was no cure and governments undertook adverse but necessary decision in order to save the lives of citizens.

Availability of Other options: - Stock Market is not the only place to invest money in. Certain instruments which provide highly guaranteed returns with no or near to zero default risks are also present in the market. The pandemic led to an uncertainty in the markets, hence the investors searched new investments avenues other than stock markets by pulling out their money so that they can at least ensure the safety of remaining funds with them. The instruments like Government Bonds, Gold Bonds, Physical Gold, etc. are assumed as more stable investment options than stocks. Moreover the stock market has shown a negative correlation with the gold investments in times of crucial importance. People tend to shift towards gold investments when uncertainty prevails in the market. This is validated by the gold prices making all times high before anything else in the pandemic situation.

Bandwagon Effect: - Stock Investments are subject to market risks. At certain times, the market has moved exponential to the proportion of impact made or created by a specific event. Just as the mystery of 1987, the year 2020 can also be compared in the similar manner. The death ratio of the Coronavirus is lower than most of the diseases still creating havocs around the world. Even the diseases like Dengue or Malaria has got a higher death rate for the affected. Just a fact that the virus is highly contagious and a cure is yet to come shouldn't make such drastic movements at all. But the mood is everything a market runs on and hence the mood was created by different media probably leading to such panics.

News: - Either global or national, there have always been events which affected stock market investments in short runs while shaping the long run movements as well. The news regarding the novel Covid-19 virus hit every door around the world so hard that the new sensational subject of discussion around the world became the virus with news agency and print media giving daily reports of number of deaths occurring and the increase in number of cases affected by the virus. Further, the technological advancement has led to the today's generation being able to see live videos and photos of the affected patients and mortuaries filled with bodies. The daily reports regarding how the hospitals are full in bed and the rumors spread around the social media in the name of coronavirus made the matter utmost dangerous than it truly should have been. The market investments resulted in tandem. Fell to the new lows in a decade while making many short scale businesses unable to operate in the times of lockdowns and closure at the initial levels.

Global Connectivity: - The world has become one big family exactly as the famous saying in the Indian mythology that goes "Vasudhaiava Kutumbakam". This favors the countries as their tie-ups and good relations with each other results into greater development opportunities through trade and commerce activities. The opening up of boundaries by one nation for others leads to advent of new technology, efficient labor, better resources, increased competition, etc. Though this also means that this leads to emergence of newer dimensions of problems associated with these aspects. One such example is the pandemic itself. As the boundaries of one country is open to others, the virus travelled from the country of origination to the countries on the opposite side of the globe. This can also be understood from the technological viewpoint. The stock market of one country is now correlated to some or the other extent with other exchanges around the world due to the heavy trade activities happening between the countries. Everything has become inter-connected. So, usually a fall of eye catching extent in Dow Jones, will, upto certain level have a negative impact on Nifty as well. Thus, globalization needs to have more thoughtful discussions in order to ascertain how a nation can amend its policies and strategies regarding the same to ensure more stable economy.

Apart from the above mentioned drivers of movements in stock prices, certain other factors may also bring the light upon the same issue like the supply and demand factor, liquidity aspect, political decisions, historical events, etc. but as these factors have already been discussed throughout the time frame it would have become irrelevant to emphasize on known facts.

Measures taken by the government and how it would/have affect/ed the Investment markets:
First of all talking about the measures already in consideration by the governments around the world, a rapid increase in the awareness programs talking about how the particular virus can be defeated by maintaining social distancing and cleanliness is an appreciable effort. Each and every person sitting in any corner of the world is now aware of the fact that by maintaining these two things properly or consciously they can save themselves from catching this disease. Further, imposing of lockdowns during the early days may have resulted into economic slowdowns but have also provided the governments time to settle things together in strategizing how to defeat the virus while making people aware of the various safety acts that can be performed on their behalf. Some regions faced curfews too where it became impossible to control the population going out and enjoying the life as they would have done usually. Also, many states and areas imposed heavy charges and fines for the people breaking the ethical code of conduct during the coronavirus pandemic. Apart from these measures, the health ministry and essential services industries were kept open so that people don't face any other issues from the one undergoing at present. A tremendously appreciable job was done by the health industry as the doctors, nurses and other staff members stood day and night caring and tending to the people affected by the virus even at the cost of their own lives.

Major countries around the globe shifted their focus on developing a cure for the novel virus. The vaccination program run by many countries have entered into the final phase of trials after which they will be allowed for the general public to take. Some such programs have already finished and got the approval for use. For example, the Astrazeneca has got the approval of use by a few countries now while the Russia's Sputnik-V is already in use. The vaccines of developed countries are showcasing around 90% efficiency level in beating the coronavirus. Pfizer is also not really far. India has ordered around 1.6 billion shots of vaccines too from three different countries including the majority of shots ordered from the US. With the hope of self-awareness created in the society and near to acquisition of such vaccines, the countries have started turning their gears to the position it was a few months before.

SUGGESTIONS

The article talks about the probable events which have led to the stock markets touching a decade's bottom. The article does not guarantee the fact that these mentioned factors are the only ones leading to such down falls. Many other drivers might still come into existence after a complete detailed investigation is made. So, there is always a possibility of addition to the current dimension of knowledge. The article also lacks the quantitative aspect of analysis which might be able to show much more results than the qualitative one. For instance, the extent and pattern of such bearish markets can be clubbed with qualitative aspects like economic slowdown's drivers in order to explain the complete pandemic from the stock market's angle in a more robust manner.

CONCLUSION

The article concluded that the major factors affecting the stock market discrepancies around the world were led by technological advancements which helped people becoming aware of the facts as soon as possible. This might be for the better, but along with facts prevailed many hoax and rumors too which created a sense of fear in the minds of everyone around the world. The sense of fear as to what will happen in the upcoming time period can be seen from the stock markets falling which truly validates that higher the uncertainties, higher the market movement. Also, the drivers like regular release of economic data regarding the slowdown happening around the world turned the countries into a situation of recession afterwards while leading some into depression. Many countries have even adopted the not-so well-known Quantitative Easing technique in order to stimulate their stagnant economy. The factors like creating awareness has surely led to less number of mis-happenings around the world but this also meant that continuing the same led to resentment and frustrations in many making them take inappropriate decisions.

Thus, it can be said that globalization surely played its role! It brought coronavirus to the countries which were in no contact by physical boundaries to the place where it originated and also led to the global crisis through which the major economies have still not been able to revert back to their original positions. Connectivity brought danger but can this reason be enough to address the drawback of world becoming one family!

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