



A DESCRIPTIVE RESEARCH STUDY ON IMPACT OF CORONA VIRUS ON INDIAN STOCK MARKET

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Abstract:

The BSE Sensex plunged over 2,919 points in its biggest one-day fall in absolute terms as the coronavirus pandemic wreaked havoc on global markets. After nosediving over 3,204.30 points during the day, the 30-share index settled 2,919.26 points or 8.18 per cent lower at 32,778.14.

Likewise, the broader NSE Nifty gave up the 9,600 level, slumping 868.25 points or 8.30 per cent to close at 9,590.15.

All Sensex components ended in the red. SBI was the top loser, followed by ONGC, Axis Bank, ITC, Titan, Bajaj Auto, TCS and IndusInd Bank.

Global markets reeled after the World Health Organization (WHO) termed the coronavirus outbreak as a pandemic, and expressed deep concern over the “alarming levels of inaction“. US President Donald Trump suspended all travel from Europe, excluding the UK, to the US for the next 30 days to stop the spread of the virus.

Countries across the world are imposing travel restrictions, fuelling fears of a global economic recession, analysts said.

Keywords: *Covid-19, Sensex, nifty, Indian stock market*

Introduction:

In line with the bearish trend in global markets, Indian stocks opened at significant lower levels as investors remained anxious about the economic impact of the coronavirus outbreak, said Narendra Solanki, Head Fundamental Research (Investment Services) - AVP Equity Research, Anand Rathi Shares & Stock Brokers. A selloff across sectors along with panic selling in the broader markets hurt investor sentiment, he said.

Besides a selloff in global equities, massive plunge in international oil prices and depreciating rupee added to the volatility, traders said.

The rupee depreciated 49 paise to 74.17 per US dollar (intra-day). Brent crude oil futures dropped 5.50 per cent to USD 33.82 per barrel.

Elsewhere in Asia, bourses in Shanghai dropped 1.52 per cent, Hong Kong 3.66 per cent, Seoul 3.87 per cent and Tokyo cracked 4.41 per cent. Markets in Europe crashed up to 6 per cent in early trade. In overnight trade, the Dow fell into a bear market and futures pointed Thursday to another rout in New York and Europe.

“Globally, a fall of 20 per cent from the recent peak is normally considered as a bear market. However, the definition does not hold good in India. Given its high beta, Indian markets have corrected by 25-30 per cent number of times and recovered quite quickly to resume the uptrend,” said Gaurav Dua, Senior Vp, Head - Capital Market Strategy & Investments, Sharekhan by BNP Paribas.

The number of coronavirus patients in India has risen to 73 with 13 fresh cases, including nine from Maharashtra and one each from Delhi, Ladakh, and Uttar Pradesh as well as one foreign national, the union Health Ministry has said.

Research objectives:

- To find out impact on novel corona on Indian stock market
- To evaluate sectoral performance downtrend in Indian industry due to covid-19

Content Analysis:

In line with the bearish trend in global markets, Indian stocks opened at significant lower levels as investors remained anxious about the economic impact of the coronavirus outbreak, said Narendra Solanki, Head Fundamental Research (Investment Services) - AVP Equity Research, Anand Rathi Shares & Stock Brokers. A selloff across sectors along with panic selling in the broader markets hurt investor sentiment, he said.

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Shares of Yes Bank on Thursday gave up all gains made in recent sessions, plunging over 39 per cent to ₹17.45 on the NSE. The stock had surged over 77 per cent in the last two trading sessions.

On the NSE, the stock was quoting 12.67 per cent lower at ₹25.15. It hit a low of ₹17.45, shedding more than 39 per cent. On the BSE, it was trading at ₹25.10, lower by 12.85 per cent. It touched an intra-day low of ₹22.55, down 21.70 per cent.

Tracking the bearish cues from the global markets, Sensex and Nifty began the session with a large-gap down open and continued to remain bearish.

The Sensex and Nifty have plummeted about 6.5 per cent each. The market breadth of Nifty index is negative, all the 50 index stock are in red. On the other hand, the India VIX has skyrocketed 17.7 per cent to record multi-year high of 37.3 levels

India Ratings on Thursday revised its outlook on the country’s base metals sector to negative from stable for the coming fiscal, stressing that the coronavirus outbreak, continuing US-China trade dispute and subdued global demand would keep prices low in the near term.

Prices may gradually improve as the pandemic is contained and the second phase of US-China trade negotiations is concluded, the rating agency said in a statement. As part of its study, the agency has covered the copper, zinc, aluminium and coal sectors.

After opening around 1,200 points lower, equities continued their downward spiral, with domestic BSE Sensex plummeting 2,707.39 points to 32,990.01 in morning session. The 30-share index was trading 2,332.96 points, or 6.54 per cent, lower at 33,364.44. Similarly, the broader NSE Nifty hit a low of 9,648.65, cracking 809.75 points. It was trading 689.45 points, or 6.59 per cent, down at 9,768.95.

The rupee plunged up to 82 paise to 74.50 against US dollar in morning session. It, however, pared some losses, quoting 46 paise down at 74.14.

The carnage on Dalal Street eroded investor wealth worth Rs 9,15,113 crore, taking the total m-cap to Rs 1,27,98,444.93 crore on the BSE. The m-cap of BSE-listed companies stood at Rs 1,37,13,558.72 crore at the end of trading on Wednesday.

The day's selloff was triggered after the World Health Organization (WHO), late Wednesday night, termed the the new coronavirus or COVID-19 outbreak as a pandemic, and expressed deep concern over the "alarming levels of inaction". Following the announcement, US President Donald Trump suspended all travel from Europe, excluding the UK, to the US for the next 30 days to stop the spread of the virus.

Brent crude oil futures were around 4 per cent down at USD 34.37 per barrel, after the travel ban.

All Sensex components were trading in the red. Axis Bank was the top loser, tanking over 10 per cent, followed by SBI, Hero MotoCorp, ITC, M&M, Bajaj Auto and Titan.

According to traders, volatility peaked in global markets after WHO's announcement describing the coronavirus outbreak as a pandemic. Besides selloff in global equities, massive plunge in international oil prices and depreciating rupee added to investor concerns, they added.

Incessant foreign fund outflow also spooked market participants, traders said. On a net basis, foreign institutional investors sold equities worth Rs 3,515.38 crore on Wednesday, data available with stock exchanges showed.

Elsewhere in Asia, bourses in Shanghai dropped over 1.50 per cent, Hong Kong 3.50 per cent, Seoul 3.80 per cent and Tokyo cracked up to 4.40 per cent. In overnight trade, the Dow fell into a bear market, and futures pointed Thursday to another rout in New York and Europe.

Conclusion:

Globally, a fall of 20 per cent from the recent peak is normally considered as a bear market. However, the definition does not hold good in India. Given its high beta, Indian markets have corrected by 25-30 per cent number of times as recovered quite quickly to resume the uptrend, said Gaurav Dua, Sr Vp, Head — Capital Market Strategy & Investments, Sharekhan by BNP Paribas.

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