Global Markets come under the grip of coronavirus

March 9, 2020. The Indian stock markets were in for a rude shock. The benchmark BSE Sensex recording its biggest-ever plunge- at over 2,200 points.

March 12, 2020. The Sensex tanked another 2,919 points. Equity indices witnessed worst ever intra-day fall.

The stock market has now subscribed to the bear territory – a condition when an index falls more than 20 per cent from recent highs – as the World Health Organization (WHO) announced coronavirus (Covid-19) a pandemic.

The 30-share benchmark BSE Sensex has lost more than 9,000 points since 20 January 2020. Rupee against Dollar is now @ 74.50! It is an all-time high.

But what led to this sudden slump, the erosion of investor wealth worth Rs 11,27,160.65 crore?

It all started with the fright carried on by the spread of Covid-19 (coronavirus disease). It already has made an atom-bomb like impact. Since the disease outbreak on the last day of the last decade, more than 4,400 deaths have been reported worldwide. More than 122,000 people in 120 nations have been infected till date.

The sudden slump in oil prices.

Global crude oil prices have crashed 30 per cent, with Brent crude prices falling to $32 a barrel.

The tremors are being felt in markets all over the world.

Also Read: Airline Flybe May become a Coronavirus Casualty

Under the shadow of the pandemic, people have stopped travelling. Airlines have discontinued their services. A few airlines went bankrupt while others are not able to make any reasonable profits. All such events have led to a major adverse impact on the global economy. The outbreak of Covid-19 has shaken the airline industry fundamentals, discouraging the growth prospects of the sector along with a sharp decline in the fossil-fuel burn.

The Organization of Petroleum Exporting Countries (OPEC) held an urgency meeting in February 2020 in order to recalibrate its production cuts for the rest of 2020. The plan was to cut production. Thus, it reduced global supplies by 3.6 per cent. When Russia refused to align with the deal, Saudi Arabia slashed oil prices enormously.

Markets have come under the clutch of coronavirus

Even a Morgan Stanley report does not give a pleasant picture as the coronavirus will likely amplify the problems.

Lower oil prices may translate to lower retail prices, but this positive benefit may not be necessarily realized, because the consumers will stay away from higher spendings amid an overall pessimism in the economy and the financial businesses.

India may be a significant gainer from the current oil prices slump. India imports 85 per cent of its oil requirement. Clearly, there would be a significant reduction in India’s import bill and easing of the current account deficit and inflation. This will also check the growing inflation and promote the next round of rate cuts by the Reserve Bank of India. Governments will continue to profit from the crude price fall, as they are not likely to pass on the influence of the soft crude prices exclusively to the consumer. The blessing gains for the government can be used to connect the fiscal deficit or spend on well-being projects and infrastructure.