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How the stock market is being hit by COVID-19

INTRUDACTION

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Stock market

A stock market is designated market for trading various kinds of securities in a controlled, secure and managed the environment. Since the stock market brings together hundreds of thousands of market participants who wish to buy and sell shares, it ensures fair pricing practices and transparency in transactions.

While earlier stock markets used to issue and deal in paper-based physical share certificates, the modern day computer-aided stock markets operate electronically.

How the Stock Market Works

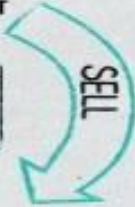
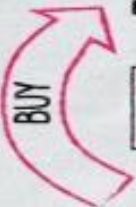
Stock markets provide a secure and regulated environment where market participants can transact in shares and other eligible financial instruments with confidence with zero- to low-operational risk.

Operating under the defined rules as stated by the regulator, the stock markets act as primary markets and as secondary markets.

STOCK MARKET

WHAT

WHERE STOCKS & BONDS ARE BOUGHT AND SOLD



WHY

COMPANY



SELLS STOCKS
RAISE \$ TO GROW

MARKETS

BEAR



DECLINING MARKET
INVESTORS CAUTIOUS

BULL



ECONOMY STRONG
INVESTORS AGGRESSIVE

MURIEL SIEBERT



FIRST WOMAN TO OWN A SEAT ON THE NYSE IN 1967

WALLST

STOCK EXCHANGE

BLACK MONDAY
OCTOBER 19, 1987

DOW JONES INDUSTRIAL AVERAGE
FELL 22.61

LARGEST ONE-DAY
PERCENTAGE LOSS
IN HISTORY

WHAT

CONNECTS



BUYER



SELLER

HELPS THEM TRADE STOCKS

HOW

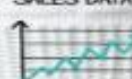
PROCESSES
PAYMENTS



LISTS
STOCKS



TRACKS
PRICES AND
SALES DATA



WHERE



THE NEW YORK STOCK
EXCHANGE (NYSE)

NASDAQ

NapkinFinance.com

Stock market has responded to the COVID-19 pandemic

The stock market has responded to the COVID-19 pandemic with worrying volatility, as traders have panic-sold out of fear.

As a result of the recent turmoil, the market-wide circuit-breakers that attempt to prevent panic-trading, have been triggered four times alone in March.

Circuit breaker

The market has reacted to recent unpredictability with large drops, triggering a market wide circuit breaker four times in March. The safeguard pauses trading for 15 minutes in hopes the market will calm.

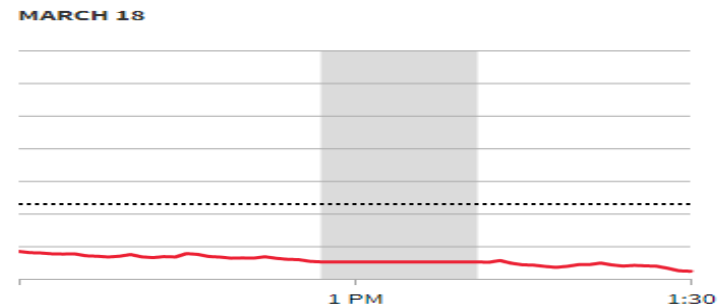
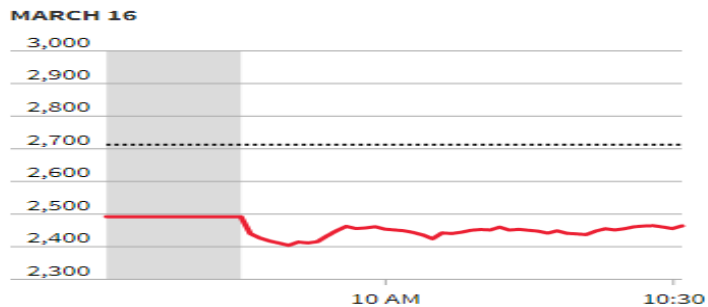
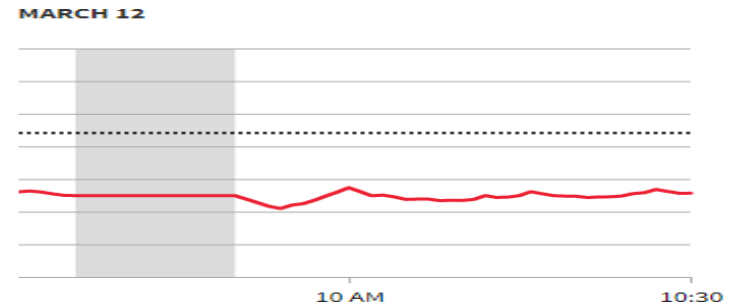
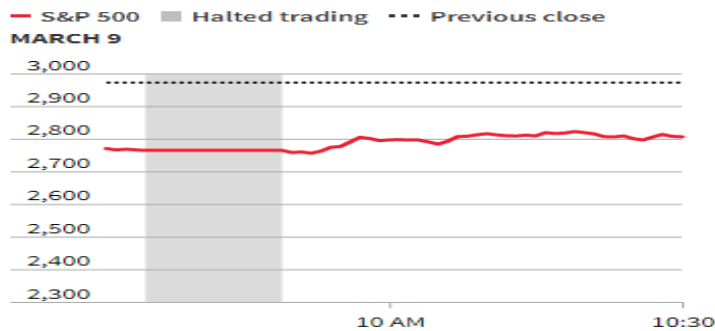
Circuit breaker

The U.S. Securities and Exchange Commission mandated the creation of market-wide circuit-breakers to prevent a repeat of the Oct. 19, 1987 market crash, in which the Dow plunged 22.6%. Since then, they have only been triggered once in 1997 before the four times this March 2020

Trading stopped four times in March 2020

The S&P 500 triggered level 1 market wide circuit breakers during the opening hour on March 9, 12 and 16 based on drops of 7% from the previous close, and tripped later in the day on the 18th. Trading also halts on both the Dow and the Nasdaq when a circuit-breaker is triggered on the S&P 500.

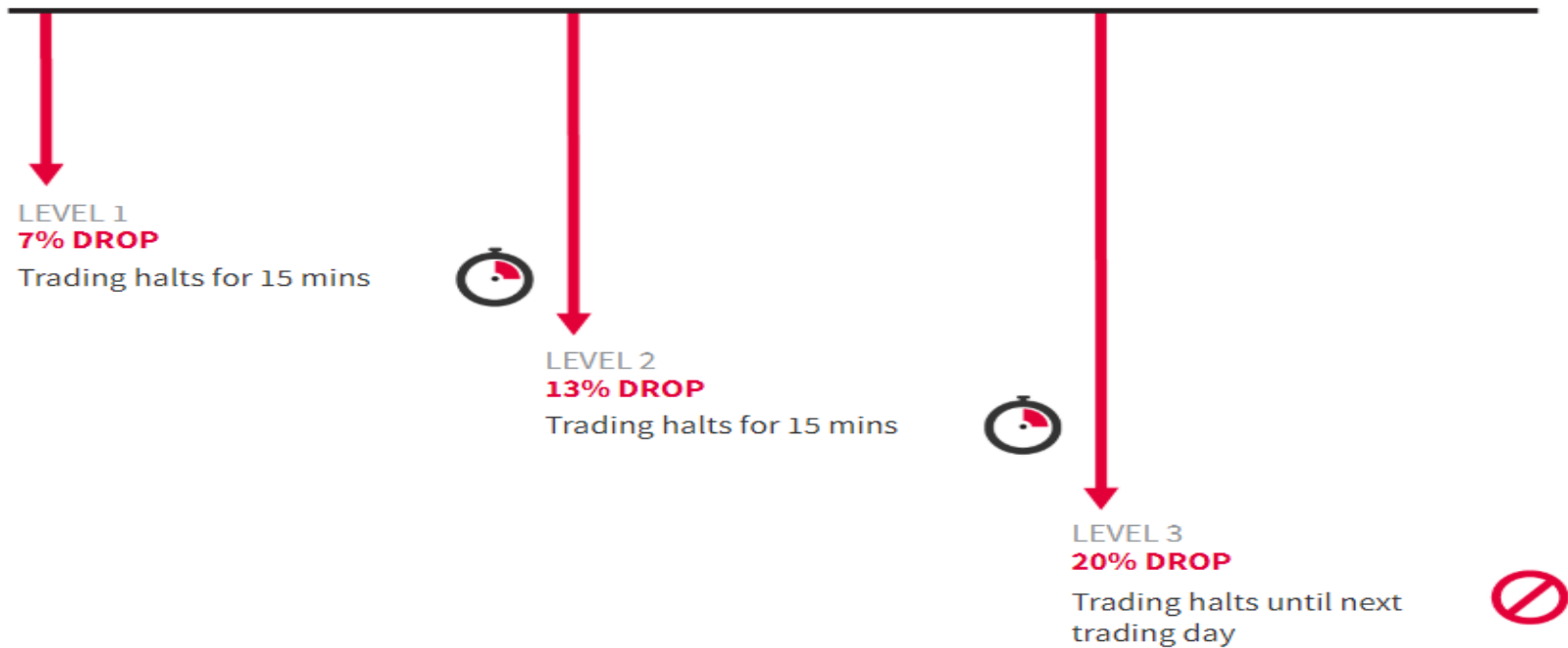
Trading stopped four times in March 2020



How circuit breakers work

The current guidelines mandate a 15-minute pause in trading on all U.S. stock exchanges if the S&P 500 index falls more than 7% before 3:25 p.m. New York time. The breakers are set up to calm markets by halting trading as it grows more and more volatile. The first two levels of breaks are set to halt trading for 15 minutes, while a level 3 will suspend trading for the rest of the day.

How circuit breakers work



Falling markets, rising volatility

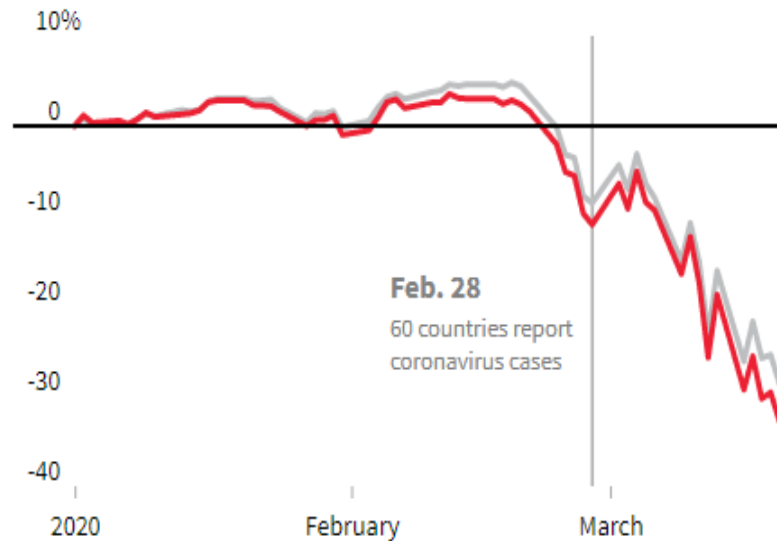
The Dow and S&P 500 have both been seeing drops due to uncertainty around the global coronavirus pandemic, while the Chicago Board of Exchange Volatility Index has been rising steadily since the middle of February as the virus began to spread around the world.

Rising volatility

DOWN MARKET

Percent change since January

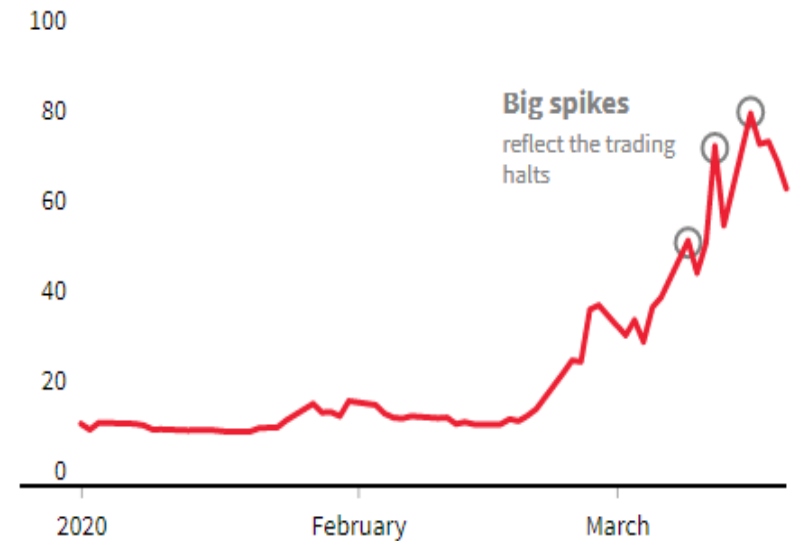
— Dow Jones — S&P 500



CBOE VOLATILITY INDEX

VIX represents an expectation of stock market volatility based on the S&P

500.



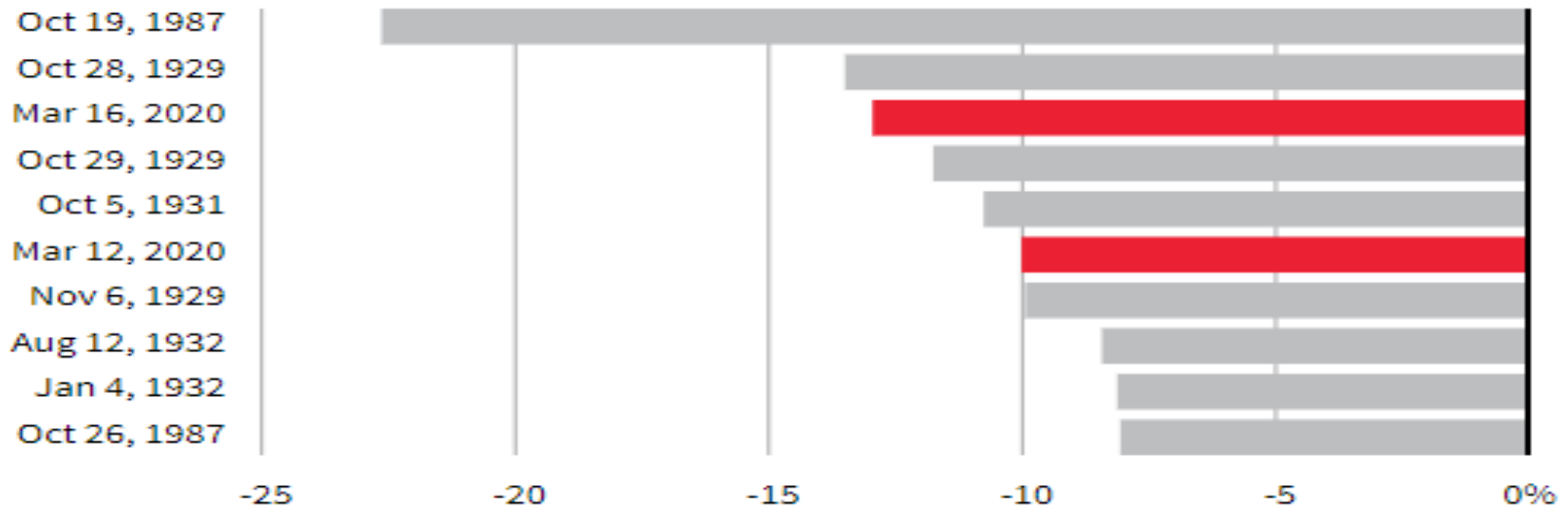
Single day drops

The coronavirus has created such uncertainty around the world that two of the largest single day drops in the Dow Jones Industrial Average have been from March of 2020.

Single day drops

LARGEST ONE DAY DROPS

Dow Jones industrial average



What is a Black Swan?

A black swan is an unpredictable event that is beyond what is normally expected of a situation and has potentially severe consequences.

Black swan events are characterized by their extreme rarity, their severe impact, and the widespread insistence they were obvious in hindsight.



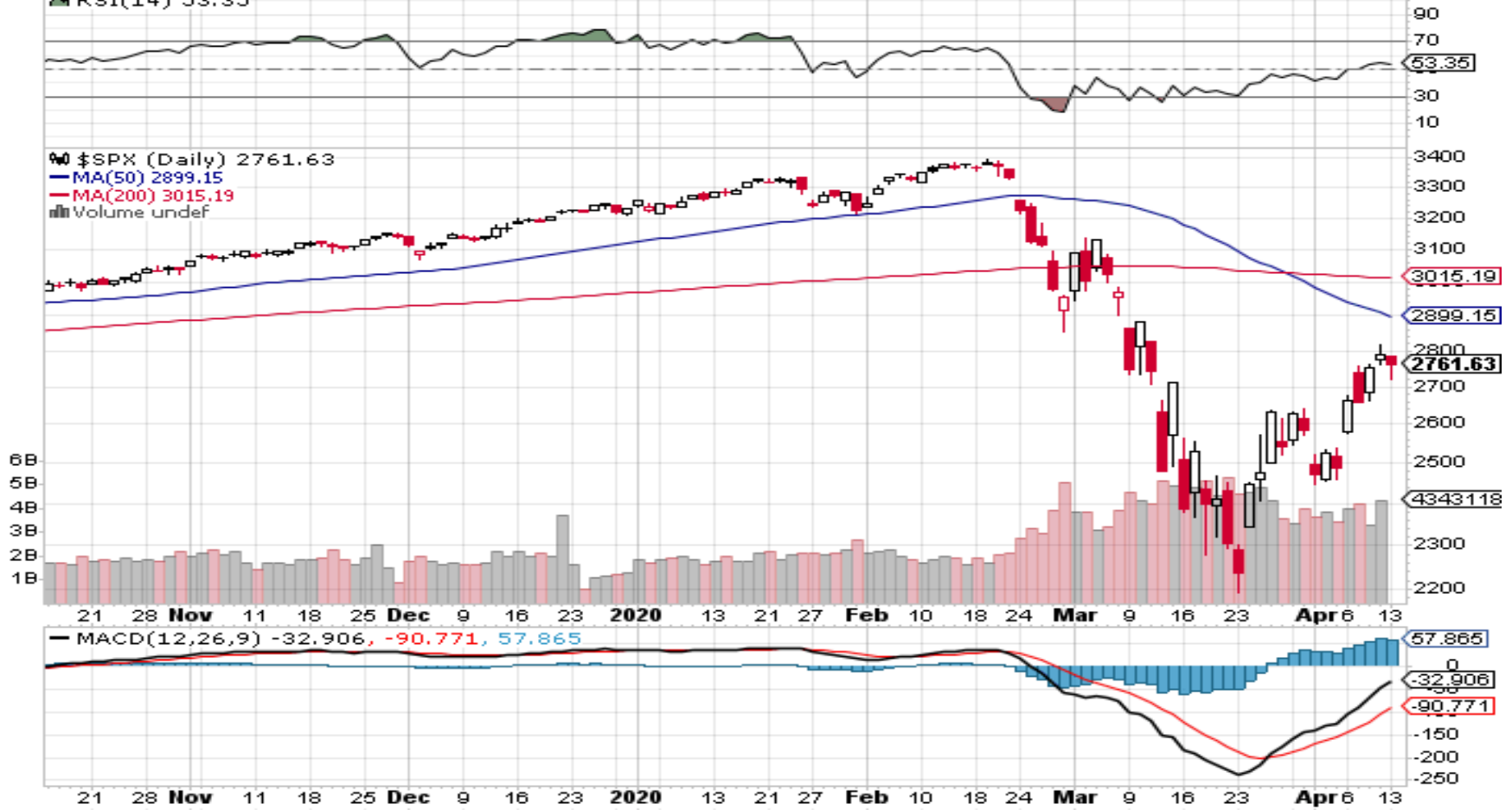
\$SPX S&P 500 Large Cap Index INDX

© StockCharts.com

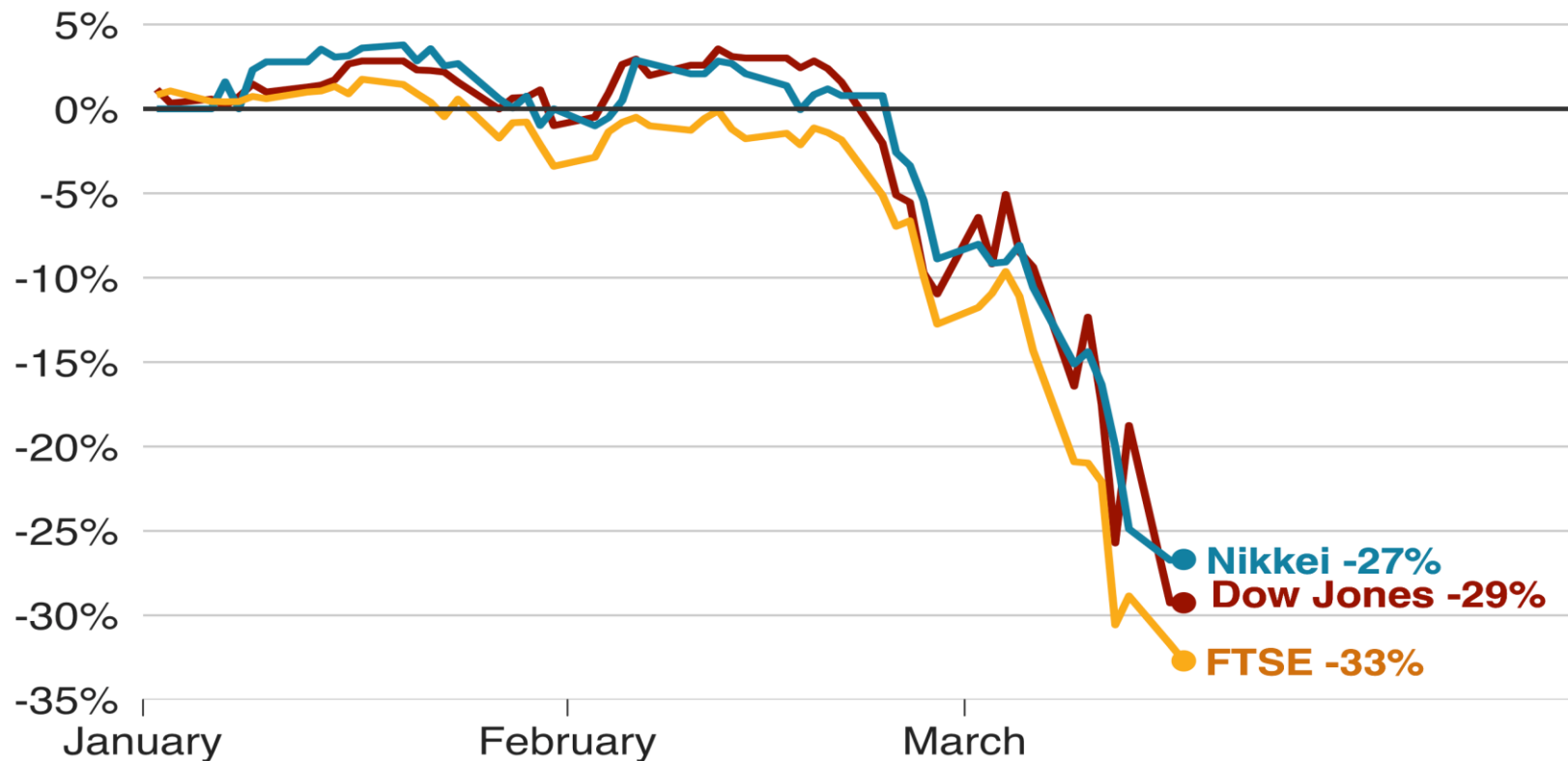
13-Apr-2020

Open 2782.46 High 2782.46 Low 2721.17 Close 2761.63 Chg -28.19 (-1.01%)

▲ RSI(14) 53.35



Coronavirus impact on stock markets since the start of the outbreak



Source: Bloomberg, 17 March 2020, 13:00 GMT

BBC

Monthly Chart: Nymex Crude Oil

