

Effects of Coronavirus (COVID-19) on International Financial Market: A Conceptual Analysis

Nurul Mohammad Zayed¹, Shahiduzzaman Khan Shahi², Arafat Hosain Nelo³, Mithila Afrin⁴, Tanzina Haque⁵

¹Assistant Professor & Head, ²Independent Researcher, Department of Real Estate, Daffodil International University, Dhaka, Bangladesh

³Independent Researcher, Department of Business Administration, Daffodil International University, Dhaka, Bangladesh

⁴Lecturer, Department of English, East Delta University, Chattogram, Bangladesh

⁵Lecturer, Department of Business Administration, European University of Bangladesh, Dhaka, Bangladesh

*Corresponding Author: zayed.bba@daffodilvarsity.edu.bd

ABSTRACT

The paper has explored the impact of the coronavirus (COVID-19) on the International Financial Market. The most recent works have considered the effects of the coronavirus on the International Money Market worldwide. Essential information is gathered from various online media, insightful diaries, different sorts of research papers, college diaries, and other online sources, and so on. The paper finds that passages will flop as various countries are taking practically identical exercises to slow the spread of the disease. There are extraordinary arrangement associations, families, governments and money related investigators who don't consider the financial consequence of the spreading contamination. State and governments are at the cutting edges of the current crisis. The securities exchange has experienced gigantic gyrations in the course of recent weeks. The Federal Reserve has strongly cut credit expenses to zero. The finding indicates that The IMF and the World Bank scrambled to provide a mutual proclamation declaring their significance to support "Address the Human Disaster and Economic Challenge" inaugurated during the contamination. National banks must assist solicitation and assurance by hindering a fixing of budgetary conditions, cutting down on gaining costs for families and firms and ensuring market liquidity. This investigation makes policymakers reconsider their move for more assistance and assembling segment organization, however not for farming contribution to fallback.

Keywords-- Coronavirus, COVID-19, International Financial Market, IMF, Federal Reserve, World Bank.

INTRODUCTION

An epic tendency of coronavirus — SARS-CoV-2 — was initially anticipated in December 2019 in Wuhan, a city in China's Hubei

spotted with a ceremony of 11 million, after an eject of pneumonia without a striking clarification. The rot has now spread to more than 200 regions and areas over the planet and was characterized as a pandemic by the World Health Organization (WHO) on 11 March 2020. Increasingly settled people and those covered with health conditions, for instance, cardiovascular illness, diabetes, incessant respiratory disease, and dangerous development will certainly experience certifiable discomfort. Starting now, there are no distinct vaccinations or therapies for COVID-19. In any case, there are various continual clinical primers evaluating possible medications. The International Financial Market is in a spot where budgetary riches are exchanged among people (and between nations). It tends to be viewed as a wide arrangement of rules and establishments where resources are exchanged between specialists in surplus and operators in shortfall and where organizations set out the guidelines. What is more found on this market is a wide range of universal exchange. So this market is a pointer of monetary development. Presently a day of coronavirus has an impact on each area of life.

LITERATURE REVIEW

Albulescu (2020) proposed that just in new cases announced outside China, the mortality proportions for the tried models have a critical and constructive outcome, and besides, that the demise proportions are more grounded than in China; COVID-19's constancy can make another scene of worldwide budgetary pressure [1]. Antonakakis et al. (2013) looked at time-fluctuating connections among financial exchange returns, empowering instability and approach vulnerability [2]. Their discoveries proposed that the relationships are surely time-fluctuating and oil request stuns and the US downturn enticing. McKibbin et al. (2020) showed that an included flare-up can significantly affect the worldwide economy in the short run [3]. These circumstances show the size of

consumptions that can be maintained from a strategic distance by putting more in the general wellbeing by considering all things, yet particularly in the less propelled economies where the medicinal services framework is less evolved and the populace thickness is higher. Ayittey et al. (2020) indicated that without the crucial overall steps to diminish COV 2019, China could curtail \$62 billion in the fundamental section of the year, and the world is most likely going to misplace \$280 billion of an identical period [4]. Fernandes (2020) confirmed that depending on the present situation, GDP development will endure a shot, beginning at 3-5% relying upon the nation. Also, GDP might diminish by 10%. All things considered, every emergency costs an additional month, 2% - 2.5% of worldwide GDP. The monetary expenses of the downturn are unevenly conveyed. In view of past emergencies, it appears that under-matured and under-taught laborers will tragically be bound to lose their positions. Ramelli et al. (2020) recommended that the total market initially fell firmly and afterward entered a whips design. Be that as it may, a few examples emerge behind these hot and apparently typically determined cost rise [5]. Specifically, speculators turned out to be progressively worried about corporate obligation and liquidity, demonstrating broad worry that the wellbeing emergency could transform into a money related emergency. Albulescu (2020) showed that COVID-19 has a hard negative effect on interminable raw petroleum costs in instances of new contaminations detailed day by day [6]. By and by, with the opening up of the money related market, COVID-19 additionally and indirectly affects the ongoing pace of raw petroleum costs. Furthermore, oil costs have dropped by up to 20%. Fetzer et al. (2020) reported that members' abstract mental models lessen the non-direct nature of the malady and that these enthusiastic models just shape the degree of financial uneasiness [7]. These discoveries stress the significance of government-funded training about the infection for effective upkeep, just as the requirement for opportune measures to lessen monetary hardship and nervousness during a significant worldwide pandemic. Chohan and U. W. (2020) introduced some restricted desires by breaking down the circumstances utilizing a comprehensive interest way to deal with Pakistan, to show the potential multi-term financial effect from the COVID-19 pandemic [8]. The outcome discovers that the decrease of FY20 will be monstrous. However, the quick globalization and nearby recuperation rate may continue to financially act in FY21. Evans (2020) proposed a few approaches to address the present condition of the Coroner's Practice Management System, wellbeing arrangement structure, social determinants of wellbeing,

instruction and wellbeing education, national and universal changes in speculation, open and private organizations, and numerous goals of setting up a world [9]. Mann, C. L. (2020) describes that manufacturing will show a 'V' or 'U' shape and services, will encounter an 'L' shape. Assembling overabundance from manufacturing plant end poses a potential threat in the close to term, be that as it may, creation will force to restock inventories once isolates end and production lines revive [10]. During the term of administrations, the run to the travel industry, transportation administrations, and household exercises, for the most part, won't be recuperated, and the unmistakable set back of worldwide development will additionally burden the L-molded vent of interest for these non-tradable administrations. Baker, S et al (2020) find no different irresistible ailment sign that had in excess of a little impact on U.S. financial exchange instability [11]. Thinking back to 1900 founds not a solitary case in which coordinated news accounts attributed a huge day by day showcase move to pandemic-concerned upgrades except the Spanish Flu of 1918-20. Zhang, D., Hu, M., and Ji, Q. (2020) found that the potential result of arrangement mediations, for instance, the US contention to actualize 0% loan fees and boundless quantitative facilitating (QI) and the breaking point to which these strategies could course to promote vulnerability in worldwide monetary markets [12]. Cheng, H. P., and Yen, K. C. (2020) recommended that changes in as of late affirmed occasions rather than every 1,000 individuals in the United States could unquestionably figure S&P 500 comes back from China [13]. They additionally recommend that changes in affirmed instances of new maladies per 1,000 individuals in the United States are contrarily concerned and T-charge sprayer changes.

RESEARCH GAP

The main motive of the paper is to show the International Financial Market situation by considering all attributes or indicators of the financial market in the COVID 19 pandemic. The literature review part shows that researchers have not identified the exact situation and future consequences of the international financial market yet. There are some researches about the financial market based on specific countries and this paper covers the gap.

OBJECTIVES

The major objective of this paper is to discover the impact of the coronavirus on the international financial market. The specific objectives are to discover the current view of the world economy for the explanation of COVID-19,

COVID-19 consequences for world budgetary market and the world market breakdown step by step and large moves in the financial exchange.

METHODOLOGY

This paper depends on a subjective investigation. The flow inquired about the impact of coronavirus on the International Financial Market. To accomplish this objective, mostly optional sources have been utilized. Secondary data and information were collected from different Online Media, Scholastic Diaries, and Papers of various types, College Diaries and other Online Sources, and so on. The paper painstakingly examined the present effect of the crown infection so as to progressively precise and judicious finishes of the examination. For this investigation, in any case, the secondary information was checked cautiously before utilizing them. Optional data and information have been utilized where the autonomous variable is coronavirus and wards are the International Financial Market. The different diagrams have been utilized to comprehend the

current budgetary circumstance in light of the fact that there is no adequate information.

To confirm accuracy regression analysis has been run. In regression analysis part, interest rate was dependent variable and inflation rate and Net Exports of Goods and Services are independent variables. Some secondary data have been collected in fieldwork. Some information are collected over the phone because the present condition is not preferable for fieldwork.

RESULTS AND DISCUSSIONS

The "Historical Market Falls" diagram records the huge money relevant markets collision from 1929 to extraordinary crashes up to February 2020 due to novel corona virus. Clearly, the coronavirus collision looks less remarkable than preceding ones as its circumstances are in the fifth spot following the Great Depression, the Financial Catastrophe of 2008, Hitler's invasion of France and the Black Monday crashes (arranged by sway). (Figure 1).

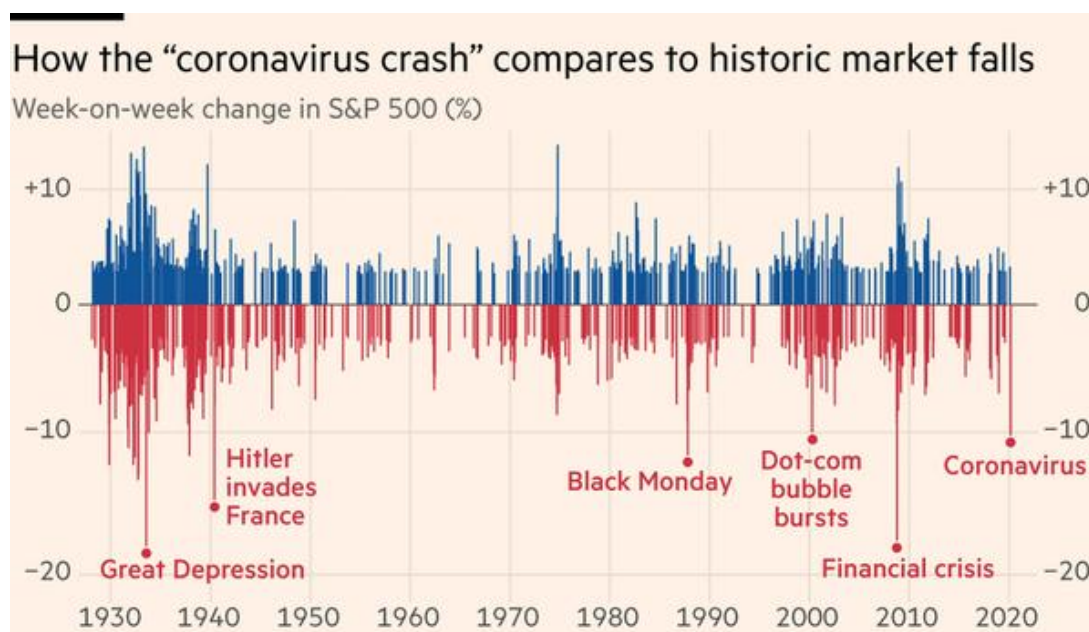


Figure 1: Historical Market Falls

Source: Financial Time

The MSCI world file, which incorporates supplies of enormous and notable organizations from 23 created markets, rose a stunning 24 percent. A study from the Bank of America taken in the second seven day stretch of February, found that financial specialists anticipated world monetary development and corporate benefits to keep reinforcing this year; to such an extent that they were anticipating raising their presentation to stocks to a 20-month high. So, the adjustment in

state of mind is considered more surprising. The seven day stretch of February 28 was one of the unrests, which saw all significant securities exchanges the world over plunge, leaving financial specialists wounded and battered. The S&P 500, one of the most generally followed stock files in the United States, slid by 11.5%, which incorporated a 3.4 percent decrease on February 24—the greatest one-day fall for a long time. Euro Stoxx 50 doves by 12.4 percent, Japan's Topix filed

by 9.7 percent and London's FTSE 100 by 12.2 percent in the event that anybody is keeping tally. This was the most exceedingly awful week for stocks worldwide since the 2008 emergency. As the world is facing with the prosperity and money related aftereffects of the coronavirus erupt, the 1918 Spanish influenza is bearing burning example related to this. The Spanish influenza contaminated around 500 million people far and wide and stressed around 50 million lives-including just about 675,000 Americans, or around 0.67% of the nation's populace. A significant number of existing money related work on that flu virus across the board has focused on understanding its impact on prosperity and human capital. The Spanish influenza got no distinguishable stamp on the whole US economy. But the coronavirus showed up hard in the US economy. The coronavirus showed up in the US during a period of blasting stock exhibit esteems. That the effect of the Spanish flu pandemic on the total US economy was astonishingly not so harsh. Unlike coronavirus, which is excessively extreme for old, grown-ups, the Spanish influenza was abnormally destructive for those in their 20s and 30s, those in prime working age. A month prior, speculators may have imagined that the infection's primary effect would be through universal inventory chains, originating from shut processing plants in China. Yet, as a general rule, that was only a glimpse of something larger. With the destructive infection spreading to South Korea, Italy, Iran, Japan and in the long run each landmass on the planet aside from Antarctica, financial specialists' estimation got hammered that incited mass sell-offs. On March 4, the US province of California announced a highly sensitive situation after its first coronavirus-connected casualty. The amount of the destruction will be sure of upon how rapidly the contamination is comprised, the methods masters take to recover it, and how broadly financial subsidy will be conveyed delightfully by governments during the vexation's brisk and the repercussions. Despite the way that erupt appears to have stridden back in China, COVID-19 and its belongings have gone around the world. Pollutions are evolving in Europe, South Korea, Iran, the United States, and elsewhere, with pros enforcing logically restrictive gauges to hold the contamination. Europe and Japan are likely starting now a downturn spot given their weak last quarter performance and high reliance on trade. While the United States entered the crisis with a tailwind, a duo of professionals is fantasizing a tightening in U.S. Total national output resulting in quarter. There are incredible arrangement associations, families, governments and budgetary experts who don't consider the financial repercussions from the spreading disease.

The significance, length and regional dissipating of the fiscal rot are, as it were, dark. Nor it is clear whether appraisals taken as of now to hold the spread of the disease will be incredible. The Federal Reserve has powerfully cut advance expenses to zero. Lower advance costs will have little effect on the economy, on any occasion for the present. Key financing costs for home advances and business propels will be low.

The simple linear regression equation (Table 01) can be generalized to take account of the two predictors, Inflation Rate (%) and Net Exports of Goods and Services (Billions\$) of United States from the year of 1950-2020:

$$Y = ba + b_1x_1 + b_2x_2$$

B is the gradient slope or regression coefficient constant

A is the intercept of the line at Y axis or regression constant

Y is a dependent variable i.e. Real Interest Rate of US

x₁ is an independent variable i.e. Inflation Rate (%)

x₂ is an independent variable i.e. Net Exports of Goods and Services (Billion\$)

Table 1: Regression Analysis

Variable	Coefficient	T Statistics
Constant	2.171666	5.195992
INF	0.724175	8.946818
NEG	0.001924	2.141483
R square	0.600937	
DW test	0.597013	
Predictors	INF, NEG	
Dependent Variable	INTEREST RATE	

Source: Estimated

Referring to the table above, it was found that the R square value is .6009 and from this, it is determined that 60.09% of the variation in the dependent variable Real Interest Rate is explained by the independent variables which are Inflation Rate and Net Exports of Goods and Services. This indicates that it is a strong explanatory power of the regression.

The novel coronavirus is having a worldwide effect, and regions clearly are not safe. Year-to-date all out returns for civil bonds were negative 1% as of March thirteenth, a lofty drop from positive 3.7% on March ninth. A move of that size in such a brief timeframe is very uncommon for the muni showcase. Essentially, muni are feeling the effect of COVID-19 on two fronts. Initially, this is a one of a kind exchanging condition where liquidity is stressed. Secondly, there are longer-term worries about the effect that an unexpected and extreme lull in financial action could have an impact on regions' accounts.

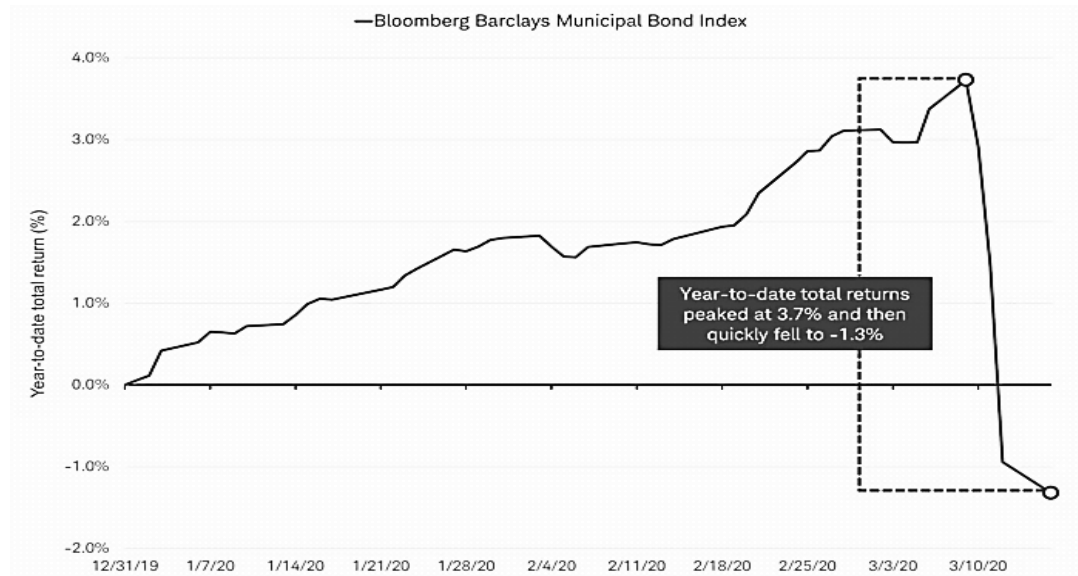


Figure 2: Fluctuation of Returns from Civil Bonds

Source: Bloomberg Barclays Municipal Bond Index

There are a couple of elements that are adding to the constrained liquidity in the muni advertise. To begin with, muni shared finances encountered their first seven day stretch of reserve surges in the wake of encountering 50 or straighter long stretches of inflows. In specific conditions, this implies some reserve directors may need to sell munis to meet customers' reclamation demands, which may lead to driving down costs. This kind of constrained selling may not be vital for other store administrators in the event that they have sufficient money or different speculations to meet reclamations. Be that as it may be, recoveries mean less interest for munis.

Shoppers are probably going to remain at home as they follow "social separating"

suggestions to slow the spread of COVID-19. Late securities exchange decreases likewise are probably going to burden shopper exercises, as individuals likely will curtail their spending in the midst of dread of a financial lull and occupation cutbacks. While it's not expected across the board civil security guarantor defaults due to COVID-19, rather it's anticipated that the decrease in shopper action should affect a few regions' funds. This effect will be felt particularly hard by guarantors in specific segments with lower liquidity. Albeit all muni guarantors ought not to be painted with a similar brush, here is the potential effect on certain areas of the muni showcase:

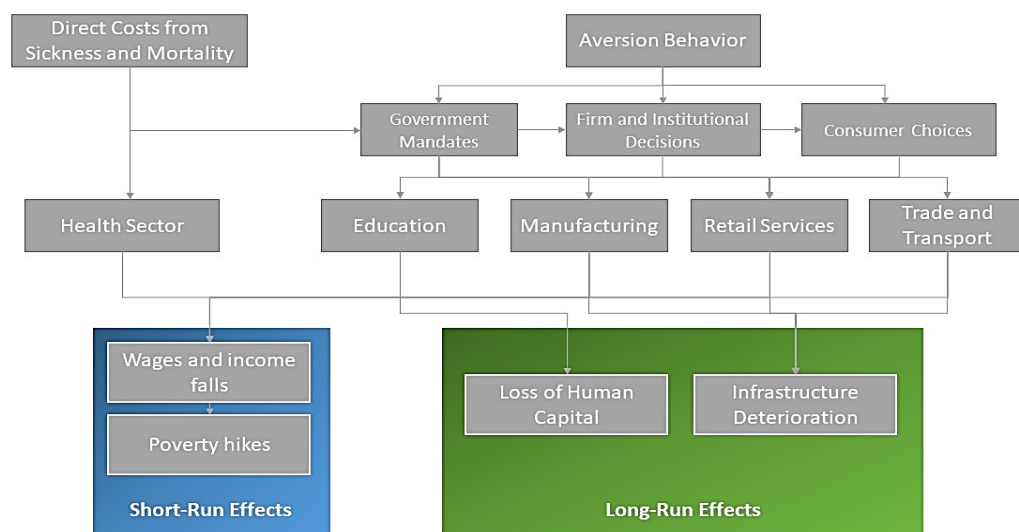


Figure 3: Channels of potential economic impact of Covid19

Source: Center for Global Development

It has been noticed that enormous sell-offs in the integrity promote as money related councils take away from hazardous properties, which saw the Nairobi All Share Index (NASI) drop by 0.5% between thirteenth March 2020 and twentieth March 2020 and 20.1% on a year-to-date hypothesis, and the resultant inspired enthusiasm for fixed compensation instruments as theorists searched for spots of refuge. The Coronavirus boosted worries over the potential drop of hard cash influxes. The stretch of the syndrome has in like manner which upset the overall stock system. Recreations inside the collecting division are most likely going to be disturbed. In not more than weeks, the Coronavirus pandemic has shaved off essentially 33% of the across-the-board need top. The sweep of the contamination has initiated unrest over the world and trembled the confirmation of monetary experts. The pandemic COVID-19 gives a genuine hit on the Global GDP Growth. The capability of the misfortunes will rely upon the span that this emergency takes. Each nation which is influenced by coronavirus is taking approach like lockdown to keep a social separation. Each sort of open vehicle, open social event, shopping centers, shops, workplaces, and organizations are being closed down or profoundly confined. Therefore, naturally the interest goes down. Some way or another less intuitive territories like the agrarian segment are less touchy yet not thoroughly liberated from the harms that this emergency makes. (Figure 1) Shows how radically it makes an effect on Global GDP development on account of COVID-19 stun. The shutdown of assembling organizations and garments are chief causes of reduction in Global GDP Growth.

NOVELTY OF THE STUDY

This research is based on a new concept. The idea, assumptions were not used before this. The research is conducted only on the basis of recent financial condition. The monetary condition has a great impact on each and every sector of life. For this reason, the study is done to get idea of speedy recovery from COVID-19 affected financial situation.

RESEARCH IMPLICATIONS

This research paper "Effects of Coronavirus (Covid-19) on International Financial Market: A Conceptual Analysis" can be used for further research in this filed. It will help to guess clearly upcoming international financial pitfalls and will assist to take the necessary steps to remove the economic crisis. The research suggests that sickness and mortality has a great impact not only on the health sector but also on fiscal year. It has a

short-run effect on wages and income that may have impact on vulnerable poverty lines. If anyone studies the article, they will have a clear assumption about the current financial situation and they can prepare to take proper financial and business decisions.

CONCLUSION AND POLICY IMPLICATIONS

The consistent spread of the new coronavirus is maybe the most serious hazard to the overall economy and money markets. To adjust the business segments similarly as the fiscal activity, national banks far and wide decided to intercede in various habits to offer the necessary budgetary assistance. The IMF and the World Bank rose to give a joint announcement declaring their status to help "address the compassionate catastrophe and financial test" presented by the infection. National banks must assist solicitation and conviction by preventing a fixing of budgetary conditions, cutting down securing costs for families and firms and ensuring market liquidity. The money related course of action must progress up to offer sizable assistance to the most impacted people and firms, recalling for hard-to-show up at easygoing divisions. Managerial and supervisory responses must arrange to set aside cash identified with quality and banking structure adequacy while proceeding with money related development. This examination has made the policymakers rethink their progression for the organization of the administration and assembling part more, yet not fall back horticultural criticism. The greater part of the money related interferences impact the intriguing side. People can no longer go to work and habitually lose their positions and pay rates, as associations screen their exercises. Associations are holding off on adventures amidst the creating weakness. Moreover, admissions will fumble as various countries are taking practically identical exercises to slow the spread of the contamination.

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