

The Impact of the Coronavirus Pandemic in Stock Markets

By Abhishek Banerji, LL.M Candidate 2020 | March 16, 2020

It has been a crazy past few weeks for global stock markets. At the start of the month, the New York Times [reported](#) that after one of the worst weeks of global markets since the 2008 financial crisis, stocks surged following a promise that governments would step in to strengthen the global economy, which took a hit in the wake of the coronavirus pandemic. However, what investors and government officials were not expecting was an oil price war between two large oil producers – Saudi Arabia and Russia – in response to the global coronavirus pandemic.

On Sunday, March 8, Saudi Arabia and Russia failed to strike a deal with respect to [coordinating production cuts](#) after demand for oil dropped as a result of the coronavirus outbreak. The failure led to Saudi Arabia and Russia flooding the market with cheap oil, where victory meant selling the most oil and grabbing the largest market share, irrespective of the price.

On Monday, March 9, the effect of the oil price war was seen in the stock markets. The S&P 500 fell by 7% just minutes after the stock market opened, triggering a [circuit breaker](#) that halted trading for 15 minutes. At the close of trade, the Dow, S&P and Nasdaq were all down roughly 19% from highs set earlier this year. Ironically, the last time stocks had bottomed out like this was on March 9, 2009, better known as [Black Monday](#) during the financial crisis.

With stock markets continuing to slide, the [central banks](#) on Thursday, March 12, led by the U.S. Federal Reserve and the European Central Bank, sought to intervene to calm the markets but failed. The primary tools used by central banks were to lower interest rates and provide easier access to credit; these tools, unfortunately, were not suited to address an economic crisis created by a global pandemic where consumers avoid traveling, shopping, and gathering in social groups. As a result of this failure by central banks, the stock markets dove into their [worst plunge](#) in more than three decades. Some have referred to this as ["Black Thursday 2020."](#)

On Friday, March 13, Wall Street staged a comeback with a broad rally that sent the [Dow Jones Industrial Average nearly 2,000 points higher](#), its largest point gain since 2008. The rally followed President Donald Trump's [national emergency](#) declaration, which allows the U.S. to use the emergency powers found within the Public Health Service Act, the Stafford Act, the Social Security Act and other statutes to address the coronavirus outbreak in the U.S.

While Trump's national emergency declaration will address earlier criticism with respect to helping cash-strapped workers, particularly those without access to adequate health insurance and healthcare, it remains to be seen when the recent financial rollercoaster will come to an end.

