

“An overview of Black Swan Events in Indian Stock Market”

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Abstract:

The episode of corona virus has influenced the worldwide monetary marketplace in an exceptional manner. Because of these interruptions arose in the worldwide marketplace; the monetary marketplace of India moreover responded to the epidemic and saw severe unpredictability. In the corona virus circumstance, in this study, it tries to explore the effect of Corona virus pandemic on the Indian financial exchange. Utilizing every day shutting costs of lists, for example, Nifty and Sensex, these examination looks at the unpredictability of lists during the period September 2019 to July 2020. An extensive literature review discusses about Black Swan Events. Major review of literature discusses about various stock market Black Swan Events. Discoveries uncover that the securities exchange in India has encountered unpredictability throughout the epidemic time. This paper is an effort to discuss various Black Swan Events in Indian Stock Market.

Key Words: Black Swan Event, COVID-19, Stock Market

1.1 Introduction:

The quick spread of the unexpected COVID-19 epidemic has placed the planet in danger and altered the worldwide standpoint out of the blue. At first, the SARS-CoV-2 infection, which caused the Coronavirus flare-up set off in Wuhan city, Hubei territory of China 2019, and through period it passed on universally on the earth. These epidemic situations not only universal welfare disaster yet is a huge global fiscal decline also. The same number of nations embraces severe isolate approaches to encounter through the concealed epidemic, world's financial exercises are abruptly locked.

Vulnerability and threat made as of this disease, affecting dangerous monetary effect the world over on the globe inducing both improved and rising financial prudence, in such specific situation, the monetary market has reacted with sensational development and antagonistically influenced. The worldwide monetary market hazard has expanded significantly in light of the pandemic (Zhang et al., 2020). Speculators are enduring troubles because of terror and susceptibility. For case in point, as of the consequence of these epidemic conditions, the universal sensex has hit out about US\$6 trillion of each eight days from 24th to 28th February (Ozili and Arun, 2020). The marketplace approximation of Standard and Poor (S&P) 500 records weakened toward thirty percent since the Corona Virus episode. As specified by Azimili (2020) prolonged weakness impacts the needed pace of recurrence and accordingly current market estimation of shares.

In spite of the fact that there is restricted current writing identified with the effect of Corona Virus on the monetary marketplace. Baret et al., (2020), mentions about exploration on monetary business sectors and banks, has discovered about reduction in the portion of crude-oil, value, all through the sphere because of the corona virus epidemic. Igwe (2020) is of the opinion that the stun from these epidemic condition may increment the unpredictability that may contrarily influence the monetary and monetary arrangement of each nation. The majority of the created and agricultural nations' monetary business sectors are antagonistically influenced due to such surprising contagion. The main economy, the United States financial exchange hitted component multiple times in 10 days in March 2020 (Zhang et al., 2020). Vishnoi and Mookerjee (2020) saw that the financial exchange in Japan had fallen over 20% in December 2019.

Progressively most exceedingly terrible impact of the epidemic spread to the arising economic conditions as well. In the event that we reflect the monetary market of the arising economy a

bleak image. The episode of the Corona virus epidemic marks the portrait additional basic. The topmost driving arising countries continuously motivated to solid versatility limitations which shall cut down the arising countries to a downturn of –One percent in 2020 (Herfero, 2020).

1.2 Outline of impact of Corona Virus Epidemic on Indian Stock Market :

Janata Curfew was declared by the Government of India (GOI) on 22nd March 2020 and closure strategy to keep up societal removing exercise to hinder the episodes from 24th March 2020. As the GOI declared such a closure strategy, different financial exercises have been halted out of nowhere. The monetary market of India is seen sharp unpredictability because of the interruption of the worldwide imprint. Because of dropping in the worldwide monetary marketplace, the Indian securities exchange likewise observes severe unpredictability. It has likewise stood the impact of the Corona Virus epidemic.

The 2 significant securities files in India-Bombay Stock Exchange (BSE), Sensex, and Public Stock Exchange (NSE), Nifty. In the occurrence of it, there were fall in the B S E 13.2% on March 23, 2020. This was the most noteworthy sole day fall next to the Harshad Mehta Scam, in 1991 (Mandal, 2020). Likewise NSE Index has moreover weakened to practically 29% throughout this time. A few financial specialists have deliberated the consequence of Coronavirus on the BSE and NSE as a 'Black Swan Event' for example the occurrence of an exceptionally unexpected occasion with an incredibly terrible effect. Because of the lockdown strategy embraced by the Indian government, the processing plant has diminished the extent of workforce just as creation level which disturbed the inventory network. In light of the vulnerability winning among humankind, individuals additionally decrease their utilization propensities prompting request side stun. Studies have too discovered that the whole past pandemic had influenced just the interest chain. However, this Corona Virus epidemic has influenced both the interest series and inventory network. Regardless of the serious impact of corona virus on the securities exchange of the whole economy, there is restricted examination on it particularly on account of an arising economy.

1.3 Review of Literature :

Worldwide monetary business sectors have entered a condition of aggregate craziness set off by the Coronavirus epidemic distinguished in Wuhan, China in 2019 December recommending that Covid-19 is a monetary market "black swan" occasion. The influence of Corona Virus on the world's driving economic exchanges is inspected with the assistance of ghostly causality and the

notable Granger causality model. The center examination discoveries demonstrate that markets didn't respond to unpredictability levels displayed by the Shanghai financial exchange, with China being distinguished as the focal point of the infection outbreak. Markets arose to the infection worldwide danger when Italy enlisted its first cases, with the Italian financial exchange being the one that actuated European feelings of dread. (Morales 2020)

The impact of corona virus on the fiscal marketplace just like securities exchange were dependent upon numerous observational examinations both in cutting edge and arising economies. Existing writing found different outcomes in such matters. Ozili and Arun (2020) given directions an exact investigation on the impact of societal separating strategy which were received to forestall the spread of the COVID-19. The examination found that one month of societal removing strategy or closure harms the country due to its adverse consequences on stock costs. Azimili (2020) additionally investigated on studying the effect of COVID-19 on the grade also, construction of danger reoccurrence reliance in the United States by utilizing relapse. The outcomes show that after the COVID-19 episode the level of reliance among yields and marketplace selection has brought up in the upper quintile's that bringing down the advantages of broadening.

Raja Ram (2020) in investigation observed that corona virus crashes the whole worldwide offer. India's financial exchange too experienced sharp unpredictability because of the breakdown of the worldwide monetary marketplace. Once more reduction in FPIs additionally decreases the arrival of the India's financial exchange. After examining the historical backdrop of startling occasions the creator has taken Corona virus additionally a "Black Swan" occasion. He done additional examinations the historical backdrop of the accident and recuperation of the Indian financial exchange and presumed that the market analyst can't anticipate the recuperation of the country until a steady general wellbeing framework. Ravi (2020) has looked at the pre and post Coronavirus circumstance of the India's financial exchange. His discoveries uncovered that earlier coronavirus epidemic for example toward the start of January, exchange of National Stock Exchange and Bombay Stock Exchange were at most elevated stages hitting pinnacles of 12,362 and 42,273 separately demonstrating great securities exchange circumstances. After the eruption of the corona virus epidemic securities exchange went under dread. It prompts almost 28 percent damage of the all-out securities market from the earliest starting point of current year. The Stock of some different areas, for example, accommodation, the travel industry, and diversion

were fallen by over almost 45% because of transfer limitations. Mondal (2020) have thoroughly examined the desolation of the lethal epidemic on the India's securities exchange. Discoveries uncover that BSE Sensex has seen the greatest a daytime collapse of almost 13 percent that has outperformed the scandalous reduction of 28th April 1992. Sensex likewise has a precarious jump of 29%, surpassing the catastrophe of 1992.

1.4 Objective:

This paper is an attempt to focus light on Black Swan Events in Stock Market in India especially during COVID-19.

1.5 Methodology Used:

Researcher had referred numerous national and international reports of various agencies on epidemic. Due to lockdown, it was not possible to go outside for data collection. Information were collected from different authentic websites, journals and e-content relating to Black Swan Events and

effect of Covid-19 on stock markets of India.

1.6 Limitations of the study:

This study has several limitations. This study was mainly based on secondary data. A greater depth of information may have been obtained by reviewing and studying various articles, published journals and published stock market update. This study was an outline for an in-depth study.

1.7 Scope of the Study:

This study covers only COVID-19 period in stock market. This study also emphasizes on the study of various Black Swan events in Indian Stock Market over the period.

1.8 Discussion:

Researcher has discussed various points related to objectives mentioned:

1.8.1 What Is a Black Swan Event?

'A Black Swan is an uncommon circumstance that is earlier what is regularly predictable of a circumstance and has perhaps severe consequences. Black swan incidents are described by their extraordinary unusualness, its serious impact, and the major claim they were evident looking

back,' composes Nassim Nicholas Taleb, a previous Wall Street merchant, in his book *The Black Swan: The Impact of the Highly Improbable*. There are no restrictions in the style a Black Swan occasion can show itself. It very well may be whatever from a catastrophic event to a battle, a monetary misfortune or the flare-up of a contagion. Black Swan occasions can likewise be utilized to depict extremely plausible incidents that difficult to happen. Black Swan incidents are unusual essentially yet it is still nearly sure that somewhat comparative has happened earlier. The COVID-19 emergency is a Black Swan incident (Warner 2020), however it isn't the only incident where individuals required to manage a general safety epidemic when you think about any likeness of Spanish Flu or different outbursts.

8.1.2 Understanding a Black Swan Event

The term was advanced by Nassim Nicholas Taleb, an instructor, creator, and past Wall Street merchant. Taleb elucidated the chance of a black swan occasion in a 2007 manuscript going formerly the events of the 2008 money related disaster. Taleb battled that subsequently black swan occasions are hard to envision in view of its stunning uncommonness, yet have upsetting results, it is huge for people to reliably expect a black swan event is an opportunity, whatever it very well may be, and to endeavor to plan moreover. Some acknowledge that broadening might suggest some safety when a Black swan event occurs.

Taleb depicts a black swan as an event that 1) is remarkable to the point that even the probability that it might happen is dark, 2) has a lamentable impact when it does occur, and 3) is explained thinking back like it were truly obvious.

For unbelievably phenomenal events, Taleb battles that the standard gadgets of probability and desire. Extrapolating, using estimations reliant on view of past events isn't helpful for anticipating black swans, and may even make us all the more vulnerable against them.

The last key piece of a black swan is that as a certainly critical event, observers rush to explain it a while later and conjecture concerning how it may have been envisioned. Such audit hypothesis, regardless, doesn't generally help with predicting future dull swans as these can be anything from a credit crisis to a war.

8.1.3 Black Swan Events in Share Market in last Three Decades:

Over the period four main 'Black Swan' occasions in the previous thirty years which made Sensex falling off by 58 percent.

1. Harshad Mehta Scam :

Harshad Mehta issue influenced the financial market and conditions of the country. Mehta, a financial adviser, was blamed for different money related offenses and found related with an enormous stock controls that happened in the big scam of Rs. 4500 Crores in 1992 of Securities. Mehta's firm facilitated dealings among banks. In that year, BSE Sensex hammered 45 percent, this required one and half year to recuperate.

2. Asian Currency Crisis:

This Crisis commenced in 1997 with monetary virus then hit China, Thailand and Republic of Korea and other East Asian part. The 30-share list Sensex fallen thirty-eight percent in a time frame of 15 months, notwithstanding, the record required eight months to recover from bear market.

3. Dot Com tech gurgle:

The website tech bubble emission with dual influence over the earth took place in the year 2000. It ruined S&P BSE Sensex a dumbfounding fifty Seven percent on or after its top in a time frame of 14 months. Regardless, markets took more than twenty four months, the longest actually time, to cop-up from misfortune.

4. US Mortgage and Credit Emergency:

Overall money related disaster of 2008 was the most extremely horrendous and most prominent credit crush since the exceptional economic fall of the 1930s. During 1930 the Wall Street benchmark record, the Dow Jones Manufacturing Normal hammered twenty percent in the significant length of September which was one of the best month to month falls ever found in the American monetary trades. As the aphorism scrutinizes, "When America snuffles, the world gets with bug", the Indian values were additionally seriously hit, where the S&P BSE Sensex bombed 27 percent in comparative period to 9,748 concentrations from 13,418 core interests.

. 8.1.4 COVID-19 in Securities Market in India as a Black Swan Event:

India's Stock Market is encountering a significant expansion in its instability, as appeared by the VIX list ascending by around multiple times its typical movement, with business sectors stopped twice in March 2020 because of lower circuit channel.

During the countrywide lockdown, the ordinary normal number of exchanges and the quantity of offers traded in the value money market section expanded fundamentally. NSE subsidiary market

volume information shows a fall (20%) in the normal number of day by day subordinate agreements exchanged March 2020 contrasted with the earlier months.

On 20 March 2020, SEBI took measures to screen unpredictability and check hypothesis by diminishing position cutoff points to practically 50% of what was recently allowed in certain stock fates, restricting short-selling of list subsidiaries, expanding the edge on those offers.

The COVID-19 had pushed the Indian benchmark file to a level that was seen during the Universal Monetary Crisis of 2008. The list had plunged in excess of 30% from their ongoing high in January. A few enterprises, for example, the travel industry, and hospitability have been unfavorably influenced and loads of these organizations have fallen by over 40%. The slow economic development, less employment creation, high obligation and credit crisis among NBFC and others have exceptionally contributed, notwithstanding that the episode of COVID-19 and expansion of lockdown have profoundly affected the economy of India.

RBI and the Government of India have thought of a progression of changes in light of the current disorder, for example, repo rate decreases, administrative unwinding by broadening ban, and different strides to improve liquidity on the lookout. Conceded installments, stale credit development, developing instances of awful advances, and feeble economic situations have frustrated monetary action development and wellbeing.

8.1.5 Conclusion:

The researcher has studied various events which were classified as Black Swan Events in Securities Market. High volatility in Stock Markets all over world and in India has impacted. This event is considered as Black Swan Event by many of experts and researcher as it is unpredictable event and countless impacts. Though there are many views regarding its classification as Black Swan Events, numerous studies mentions it as a Black Swan event.

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