



## Indian Stock Market's Recovery and Sustainability



The world stock market has seen a huge economic turmoil in light of the COVID pandemic. In just a matter of days, the global stock market has seen one of its worst drops in history. No one has seen it coming and no one else was prepared for its drastic effects both public health-wise and economic-wise. If you currently own stocks from various Indian companies, your instinct would be to go look for [stock tips](#) and hopefully land on some valuable advice. In

this short article, you'll find out more about the Indian stock market's journey to recovery. You also find out the trajectory it's heading towards in the coming months and years.

### **How is the stock market doing worldwide?**

Earlier in the year 2020, when the pandemic has just hit, the global stock market has seen one of the worst crashes. India was not exempt from this phenomenon. However, take note that it is the stock markets' nature to experience both crashes and recoveries. If you look at the stock market history, both of India and of other countries', you'll see that the trend is always to go down and go back up. That is why just months after the rise of Covid-19 cases, the worldwide stock market is gradually getting back on track.

Surprisingly, the United States has seen one of the biggest stock market increases in the past decades. There was a gain of about 18% amid the coronavirus pandemic. This is despite their overwhelmingly high number of cases of coronavirus. Apart from this, European stocks were able to outperform the S&P 500 in June. In the Asian market, China has seen gains, as well as Japan.

So what exactly is this the case? Why is there a rapid recovery time from these countries who have just seen an economic recession? Many countries have released stimulus checks earlier in the pandemic. This has created high liquidity. Because of this high liquidity globally, people have more money to spend in various places. Thus, money is eventually going back to the stock markets. This is the reason why we have been seeing surges.

### **How is the Indian stock market doing?**

If we are talking about the Indian stock market, the situation isn't usually different from that of the global stock market. It seems like the stock market isn't paying too much attention to the pandemic as much as it did back in March. If you can recall, Sensex has seen a dip of 32% earlier in the lockdown. This is the fastest crash it has seen ever. However, It didn't take long for the markets to recover. In fact, right now, the Indian stock market is actually growing.

By mid-June to July, benchmark indices have seen truly significant gains. Overall, The Indian stock market has seen a surge just several weeks after the economic recession. This is quite unlike other times in the history of a global recession.

So why is the Indian stock market suddenly booming despite lockdowns, closing down of businesses, and rampant unemployment? Just like in other countries, stimulus packages given out to Indian citizens is one of the main causes of this huge boom in the stock market. In India, approximately \$3 trillion was used for stimulus packages. This money was then circulated back into the stock market, hence, lifting it.

Apart from this, the interest rate cut imposed by the monetary policy committee or MPC of the Bank of India also has something to do with this increase in the markets. These cuts have certainly impacted the stock market.

### **COVID Vaccine**

As of November 2020, there are about 24 vaccine candidates against The coronavirus. Just a few days ago, Pfizer has announced that their vaccine against Covid-19 is 90% effective in clinical trials. It is predicted that by mid-2021, vaccines are suspected to be for mass production already. Although this was just a rough prediction, this has caused a rise of hope for many that the end of the pandemic is just within reach. Suddenly, the road back to normalcy doesn't seem so far away.

This optimism has created a 4.7% increase in the FTSE 100. The S&P 500 index has also seen significant gain, climbing up over 3600 points. Moreover, Pfizer, along with other biotech information to the companies have seen over 10% of gains.

Meanwhile, companies that have benefited during a pandemic have seen a drop. This includes companies like Netflix and Zoom. If you can recall, Zoom Video Communications stock value has increased sevenfold since the pandemic.

Companies that have taken a toll since the pandemic hit have also seen some games since the announcement. This includes Indian airline stocks, as well as Indian hotels like lemon tree hotels and EIH hotels. Apparently, more and more people are becoming more open to the idea of traveling and going on vacations.

Many people are also becoming concerned whether or not their stock market decisions and behavior must change now that the Covid vaccine is at hand. Some are buying more stocks now than ever while the values are still a bit lower. Meanwhile, others are holding on more onto their liquid money for fear of a volatile stock market.

### **How sustainable is this growth?**

Many are concerned about how the stock market is able to sustain this kind of momentum. Will there be a rebound dip in the stock market once everything dies down? How sustainable or volatile really is the stock market growth that we are seeing right now?

People being locked down in their homes has opened the doors for many to use online platforms to invest their money. Many have found new interest in investing even small amounts of money. There is an increasing demand from less experienced investors like the young population for the use of online platforms for the stock market. Moreover, more and more people are turning to day trading at this time of the pandemic.

With all stock market-related information like stock option tips being available online, people are more confident to invest their money in the stock market. Wealth creation is becoming more popular especially in the younger population. Also, people are taking advantage of the dip in the prices earlier in the year when coronavirus hit.

We can expect for the market to sustain this growth in the near future. This is especially for the hint of recovery the hospitality and travel industry have seen these past few days. According to MahanteshSabarad, SBI Securities' retail research head, there is a huge possibility of bouncing back for the said companies.

### **How long will it take to recover?**

It would be unrealistic to claim that India, as well as the rest of the world, will quickly bounce back from the disaster the Covid-19 has brought. Even economists can't accurately predict what may happen.

Because the pandemic is not mainly an economic concern but also a public health one, it will highly depend on how efficient and rapid the whole world will address this public health issue. Moreover, it will also depend on the government policies that we will set forth when everything is back to normal. For example, will there be any changes made by the Reserve Bank of India with regards to interest rates? What other changes in policies will take effect?

Moreover, it will also depend on how the rest of the world handles their own public health and economic issues. The US, for instance, greatly dictates how local stock markets perform. With the continuous rising of Covid-19 cases, as well as the change in their governance, we can expect things to be quite uncertain (at least in the near future).

## **What's next for the Indian stock market?**

Many people are probably wondering what's next. How should this affect your decisions as an investor? Are there things that you should consider before investing your money? Now that more people are adapting to the new normal more freely and easily, and now that the coronavirus vaccine is just around the corner, India is slowly gaining back its control.

With these factors as well as a further increase in liquidity, Indian stock market is just waiting to bounce back as soon as it can.

## **Conclusion**

If you are an investor and you're browsing through stock tips to find out whether it's a good idea to invest, then the answer is yes. It is with no question that the Indian stock market has seen some turbulent times in the past couple of months. However, keep in mind that when the economy is down, the usual trend is always for it to go up. Thus, we can expect the Indian stock market's recovery to continue within the next two years. And with the share market tips we shared above, you should be able to succeed in this with time.

**Shyam Advisory**: It is a must to remember that there is no plausible way to accurately predict how the stock market will perform. People can only derive their hypothesis based on past and current financial statistics.

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