

PERFORMANCE OF NIFTY AND SENSEX IN PRE AND POST COVID-19 LOCKDOWN

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Abstract

The impact of Covid-19 pandemic is also seen in the Indian stock markets similar in the lines of global indexes. The country went into a complete lockdown for almost a period of 3 months which has taken a toll on various economic activities. The significance downfall in the Nifty and Sensex reel the investors from March, 2020 i.e. in the initial period of lockdown announced by the Govt. of India. Similarly the bounce back to pre-covid levels has left many investors in ambiguity. It indicates that the markets are not predicting what will happen. Many discussions and articles talks about what could be a possible explanation to the path markets followed since the announcement of lockdown in India. The overall economy of India showing declining trend in the entire lockdown period. Indian stock markets significantly improved after the different pre-opening phases announced by the government. So the present research paper focuses on the impact of Covid-19 on Indian Stock Market. In this paper, the analysis is made in terms of market turnover and growth of share market.

Keywords: Market capitalization, Covid-19, Nifty, Sensex, Stock Markets

Introduction

Stock exchanges are organized markets which deals with various securities issued by different companies listed in the exchange. It is regulated by SEBI. It provides place for buying and selling of listed securities. In the past scenario of lockdown and Covid-19 situation prevalent globally, stock markets also highly influenced. Stock market was touched bottom in this period. Yet it has been recovered in a faster speed. The overall market capitalization of both the Indexes has also seen fluctuations. In the Pre-Covid 19, market capitalization on each major exchange in India was about \$2.16 trillion. In the pre-covid period of financial year 2019-20, stock market rally was limited to 8–10 stocks within the large caps and with the limited percentage only. If we does not consider the dividends amount, Sensex has given returns at 14% for the financial year 2019-20 but prominently featured blue-chip companies such as HDFC Bank, HDFC, TCS, Infosys, Reliance, Hindustan Unilever, ICICI Bank and Kotak Bank, without which Sensex returns would have been negative. However, in the start of 2020, there was overall recovery which led to both NSE and BSE traded at their highest levels ever, hitting peaks of 12,362 and 42,273 respectively. At the beginning of the year, there were close to 30 companies that were expected to file IPO's. The market conditions were generally favorable as they witnessed record highs in mid-January.

Covid-19 sent markets around the world crashing to levels of Global Financial Crisis, 2008. The total Market Capitalization lost a staggering 27.31% from the start of the year. The stock market has reflected the sentiments this pandemic unleashed upon investors, foreign and domestic alike. Companies have scaled back; layoffs have multiplied and employee compensations have been affected resulting in negligible growth in the last couple of months during the lockdown. Certain sector such as hospitality, tourism and entertainment has been worst affected and stocks companies related with these sectors have declined by above 40%.

Market Capitalization plays an important role in determining the size of a company. It is the value of a public company in the stock market. It is based on the current share price and the total number of outstanding shares of a company. It is the total market of a company's outstanding shares of stock. It is calculated by multiplying the total number of a company's outstanding shares by the current market price of one share. Let's assume that a company has 10 million shares to sell and the market price of a share is Rs 10. Then, the Market Capitalization of the company will be 1,000,000,000. Market capitalization is an indication for investor to decide their investment pattern of companies.

Significance of Market Capitalization

To make a decision regarding investment in any company's stock, it is necessarily to check and compare the market Capitalization of the company alongwith its share price movements. Market Capitalization provides information regarding company's value, the risks involved. Investors can make decision regarding portfolio diversification with the help of market cap of different companies. It determines the category of publicly traded company as large cap, mid cap or small cap. The companies whose market value of \$10 billion or more are known as Large Cap companies. Some examples of large-cap companies are Reliance Industries, HUL, HDFC Bank, ITC, Nestle etc If market value of companies stands between \$2 billion and \$10 billion, then they fall in the Mid Cap category. Some examples of mid-cap companies are Volta, Tata Power, Future Retail, Federal Bank, L&T Finance etc. The Small Cap companies are those whose market value is less than \$2 billion. Some examples of small-cap companies are Rallis India, DCB Bank, PVR, NCC, Trident etc. To understand the performance of Indian stock markets, the index values of Nifty and Sensex are shown in the below tables.

Table1: Historical Data for Nifty for the Month of January, April & June 2020

Date	Index Closing Value	Date	Index Closing Value	Date	Index Closing Value
1-Jan-20	12182.5	1-Apr-20	8253.8	1-Jun-20	9826.15
2-Jan-20	12282.2	3-Apr-20	8083.8	2-Jun-20	9979.1
3-Jan-20	12226.65	7-Apr-20	8792.2	3-Jun-20	10061.55
6-Jan-20	11993.05	8-Apr-20	8748.75	4-Jun-20	10029.1
7-Jan-20	12052.95	9-Apr-20	9111.9	5-Jun-20	10142.15
8-Jan-20	12025.35	13-Apr-20	8993.85	8-Jun-20	10167.45
9-Jan-20	12215.9	15-Apr-20	8925.3	9-Jun-20	10046.65
10-Jan-20	12256.8	16-Apr-20	8992.8	10-Jun-20	10116.15
13-Jan-20	12329.55	17-Apr-20	9266.75	11-Jun-20	9902
14-Jan-20	12362.3	20-Apr-20	9261.85	12-Jun-20	9972.9
15-Jan-20	12343.3	21-Apr-20	8981.45	15-Jun-20	9813.7
16-Jan-20	12355.5	22-Apr-20	9187.3	16-Jun-20	9914
17-Jan-20	12352.35	23-Apr-20	9313.9	17-Jun-20	9881.15
20-Jan-20	12224.55	24-Apr-20	9154.4	18-Jun-20	10091.65
21-Jan-20	12169.85	27-Apr-20	9282.3	19-Jun-20	10244.4
22-Jan-20	12106.9	28-Apr-20	9380.9	22-Jun-20	10311.2
23-Jan-20	12180.35	29-Apr-20	9553.35	23-Jun-20	10471
24-Jan-20	12248.25	30-Apr-20	9859.9	24-Jun-20	10305.3
27-Jan-20	12119			25-Jun-20	10288.9
28-Jan-20	12055.8			26-Jun-20	10383
29-Jan-20	12129.5			29-Jun-20	10312.4
30-Jan-20	12035.8			30-Jun-20	10302.1
31-Jan-20	11962.1				

(Source: nseindia.com)

Table 2: Historical Data for Sensex for the Month of January, April & June 2020

Date	Index Closing Value	Date	Index Closing Value	Date	Index Closing Value
1-Jan-20	41306.00	1-Apr-20	28265.31	1-Jun-20	33303.52
2-Jan-20	41626.64	3-Apr-20	27590.95	2-Jun-20	33825.53
3-Jan-20	41464.61	7-Apr-20	30067.21	3-Jun-20	34109.54
6-Jan-20	40676.63	8-Apr-20	29893.96	4-Jun-20	33980.7
7-Jan-20	40869.47	9-Apr-20	31159.62	5-Jun-20	34287.24
8-Jan-20	40817.74	13-Apr-20	30690.02	8-Jun-20	34370.58
9-Jan-20	41452.35	15-Apr-20	30379.81	9-Jun-20	33956.69
10-Jan-20	41599.72	16-Apr-20	30602.61	10-Jun-20	34247.05
13-Jan-20	41859.69	17-Apr-20	31588.72	11-Jun-20	33538.37
14-Jan-20	41952.63	20-Apr-20	31648	12-Jun-20	33780.89
15-Jan-20	41872.73	21-Apr-20	30636.71	15-Jun-20	33228.8
16-Jan-20	41932.56	22-Apr-20	31379.55	16-Jun-20	33605.22
17-Jan-20	41945.37	23-Apr-20	31863.08	17-Jun-20	33507.92
20-Jan-20	41528.91	24-Apr-20	31327.22	18-Jun-20	34208.05
21-Jan-20	41323.81	27-Apr-20	31743.08	19-Jun-20	34731.73
22-Jan-20	41115.38	28-Apr-20	32114.52	22-Jun-20	34911.32
23-Jan-20	41386.4	29-Apr-20	32720.16	23-Jun-20	35430.43
24-Jan-20	41613.19	30-Apr-20	33717.62	24-Jun-20	34868.98

27-Jan-20	41155.12			25-Jun-20	34842.1
28-Jan-20	40966.86			26-Jun-20	35171.27
29-Jan-20	41198.66			29-Jun-20	34961.52
30-Jan-20	40913.82			30-Jun-20	34915.8
31-Jan-20	40723.49				

(Source: bseindia.com)

The abovementioned data shows the Indian market closing stock indexes of Nifty and Sensex for the month of January, April and June 2020 indicates that Pre Covid-19 period the Indian stock markets were performing quite well in the month of January, 2020. To study the data of markets in January, it can be clearly stated that market were showing stable trend. In the initial stage of Covid-19, both the indexes crashed in the month of March 2020 and the impact of these can be clearly shown in April, 2020 during the period of nationwide lockdown. The Nifty was 8253 in the beginning of April as compare to 11962 in the end of January, 2020 yet as Sensex was also down to 28,265 from 40,723 levels in January, 2020. After sometime, when government has opened the economy in phased manner and restarted the economic activities in the end of May, 2020, both the stock indexes started picking its speed up on the way to recovery as it can be clearly shown in the above tables which also shows the June, 2020 indexes data. Due to slighter recovery in various aspects of Indian economy, the Nifty and Sensex increases rapidly. The stock market across the world came crashing down with the rise of Covid-19. It has brought the entire world to a halt including the world of business. The markets around the world have come crashing down to a level last seen during the financial crisis of 2008. Although the world has seen a market crash due to covid-19 as the pandemic is widely spreading due to which there is a lot of uncertainty in the market.

Conclusion

Nifty fell by 38 per cent during the period of lockdown and it shows the strong correlation with the global markets. There is also increasing trends in Layoffs and unemployment in companies. Sectors like travel and transportation, entertainment industry, oil & gas have been the most affected. Stocks of these companies shows declining trends sharply. The IT sector has also witnessed drop in revenue due to the global cut off on spending and technology. However, some other sectors like healthcare, banking, telecommunications and retail also effected during this period. If we study the major downfall occurred in the Indian stock markets in past it is sure that a crisis however long doesn't last forever. Drops in sensitive index are temporary and each dip provides investors with the opportunity to enter the market and earn a higher return especially for those with long term horizon. Moreover, the higher the fluctuations, the higher chances of getting better returns. As far as the effect of pandemic is decline, the stock market will start moving in a positive direction which clearly indicates that recovery would be faster than expected.

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