

COVID-19, INFLATION: KEY THREATS TO THE STOCK MARKET

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Capital Market & SEBI

The pandemic has crumbled most of the world stock indexes in 2020 and was the main driver of the market

What are the key threats to the stock markets? What are the risks associated while investing in the markets? Market risk is the possibility that an individual will experience losses due to several factors that affect the overall performance of investments in the stock markets.

Manoj Dalmia, Founder and Director at Proficient Equities lists out some key threats to the markets

Uncertainty around the pandemic and its after effects on industries

Raising interest rates to curb inflation

liquidity withdrawal by banks globally causing valuations to move up and money flowing into high yielding Emerging Markets over the last two years. This might cause FII's to pull out money

Ravi Singh, Vice President and Head of Research, Share India Securities says Covid-19 and inflation as threats to stock indexes

1) [Covid 19](#)

The pandemic has crumbled most of the world stock indexes in 2020 and was the main driver of the market. The vaccination drive has induced the hope of economic recovery after the reopening, but the new variant Omicron is again sending anxiety ripples among the investors. The development wrt Omicron would be one of the most important factors to watch out for in 2022.

2) Inflation

The one thing that supported the stock markets worldwide post covid pandemic was the loosen fiscal and monetary policies by the central banks to support the economic outputs and easing of the bottlenecks. However, the way inflation is increasing due to higher commodity prices and crude oil, the central banks would be forced to tighten the monetary policy thus raising the borrowing costs and draining the market liquidity. For the economies which are still in their recovery mode, the tightening may be among the biggest downside risk next year.

Ravi Singhal, Vice Chairman at GCL Securities also lists rising inflation and covid-19 as key threats to the markets.

The [Sensex](#) and Nifty broke their five-day rising streak to close with slim losses on Friday, weighed by negative global cues and foreign fund outflows.

In a largely subdued session, the 30-share BSE Sensex ended 12.27 points or 0.02 per cent lower at 61,223.03. Similarly, the NSE Nifty slipped 2.05 points or 0.01 per cent to 18,255.75.

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