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Coronavirus drive Stocks to Depreciation – Affect Global Markets

Coronavirus is the major player of falling stock prices in United States and China for the recent days and continues to affect the global economy. Chinese stocks faced the highest daily decline for five years as the major Chinese indices loss significant value with the Shanghai index falling to approximately 8.7% on Monday. At least 24 municipalities and many regions in China have told businesses not to resume work before February 10, as a result the virus affected a lot the imports and exports within global economy and the gross domestic product subsequently. The Chinese authorities announced a series of measures for combating the panic, and one of those measures was the flooding of the financial system with 1.2 trillion yuan as an extra liquidity to motivate investors to buy securities from investors who were seeking to sell. Central Bank of China noted that the total liquidity of the banking system would be 900 billion yuan which is 129 billion more than the same period last year. Another measure that has been taken is that the country's central bank decreased the interest rate it charges the banks on China for short term funding. Aussie dollar has lost some value due to the reason that Australia huge exports of iron ore and metallurgical coal decreased significantly. China posted economic growth of 6.1% last year, the slowest in nearly three decades, and analysts warn that it could be further weakened if the contagion of the virus continues for a long time.

Industrial metal index

Moody's bond credit rating company noted that the coronavirus could evolve even worse for the global economy with higher impacts than the 2008 global financial crisis. Moody's industrial metal index has suffered significant losses as investors react to the risks posed by the possible contagion of the new coronavirus. The significant decline of metal's price came from the disproportionate influence on global economy. The industrial metal index dropped to approximately 7.2% lower since the day the coronavirus commenced, in copper 10%, in nickel 8.7%, 8.2% in tin, 7.3% in zinc, 4.6% for lead and 3.5% for aluminum. The index fell to its lowest level since January 2017 on January 29th. Moddy's observes a very high correlation between world growth and the industrial metal index. "From 1987 until the end of 2019, global economic growth (according to IMF calculations) was strongly correlated with 0.79 with the annual percentage change in the Moody's Analytics Industrial Index," the report said. Expectations of accelerating the growth rate of the world economy to 3.3% this year are in doubt as the course of the coronavirus is unknown. Having recovered 0.8% over the 13 weeks to January 17, 2020, the industrial metal index has since lost 3.8% year-on-year. On the other hand, gold might be alternative investment solution for investors, however after Chinese Central Bank cut reverse repo rates and injected liquidity into markets to help support an economy hit by a coronavirus outbreak.

Six European banks lacks on capital requirements

Six eurozone banks do not meet the European Central Bank's capital requirements criteria and must take immediate action to correct deficits, as the eurozone's banking sector becomes even more vulnerable. As the Financial Times reports, the number of banks that do not meet the capital requirements in the eurozone has increased since last year, while very low interest rates, penalties for past offences and costs exert intense pressure on the sector. According to ECB Supervisory Board head Andrea Enria, the results of the latest review of bank capital requirements leave "positive signs". However, he stressed that there were concerns about "business models, internal governance and operational risks in banks", concluding that: "Here we will place greater emphasis". Finally, non-performing loans continued to decline - reaching € 543 billion last September, down from $ 1 trillion. euro that was 5 years ago.

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