THE NEW NORMAL INTERNATIONAL ECONOMICS AND BUSINESS

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CORONACRISIS: THREATS AND OPPORTUNITIES FOR THE FINANCIAL MARKET

Abstract:
The results of a scientific study of various areas of the financial market (such as credit market, insurance market, investment market, currency market, stocks and bonds market), aimed at studying the potential opportunities and threats from a pandemic COVID-19 are presented. In the work qualitative analysis of financial events in 2020 were used, the opinions of experts were analyzed, and statistical data was interpreted. Main conclusion: there is a reduction in production activity around the world which caused a decline in oil prices, led to a sharp decline in stock prices in major markets and the fact that bond yields began to decrease.

Keywords:
Coronavirus pandemic, credit market, insurance market, investment market, currency market, stocks and bonds market

Coronavirus is a dangerous disease that infects tens of thousands of people every day. The article presents not the medical side of the pandemic, but its consequences for the global economy. Now, the risks associated with the spread of COVID-19 negatively affect the pricing of many assets. Analysts claim that the crisis in the global economy cannot be avoided.

Different financial markets and their changes due to the new conditions caused by the COVID-19 pandemics were studied.

Most of shocks influenced financial market was due to total lockdown or due to crash in oil prices (both of was consequence of coronavirus pandemic).

For example, amid the outbreak of the new coronavirus threatening the global economy, a meeting of OPEC+ was held in Vienna on March 6. For the first time since 2016, the participants in the meeting were unable to agree on the terms of a deal to reduce oil production, and it will cease to operate as early as April 1. Moscow abandoned additional production cuts and offered to extend the deal on current terms.

A rare combination of factors has developed in the market - a supply shock (oil production growth), a reverse demand shock (a decrease in consumption due to coronavirus) and the absence of a swing producer on the market, the founder of Rapidan Energy, a consulting company, wrote on Twitter Bob McNally [13].

This had a strong impact on the currency market (for example, it brought down the Russian ruble and led to fluctuations in the values of the euro and dollar) and the investment market.

2020 was a very weak year for the investment market. A particular decline was seen in early March 2020, when the number of infected people in Europe was growing rapidly, and in parallel with this, problems arose in the negotiations between Russia and Saudi Arabia over oil prices. According to a survey of 131 countries conducted by EY, it became known that 10%[15] of foreign direct investment projects in Europe were canceled and another 25%[15] were frozen. In general, against the background of the global pandemic, the volume of foreign direct investment has fallen by more than 40%. [16]

Since December 2019, the impact of COVID-19 has had a massive impact also on the credit market. The COVID-19 crisis hit consumer and POS lending the most. The volume of issued POS loans decreased by 65.8% [18]. Auto loans sagged the most, as demand fell for cars, consumables, gasoline, or related services. The issuance of cash loans also fell. The retail loan portfolio shrank 0.7% [18].

The impact of COVID-19 on global insurance markets is largely felt through asset risks, especially capital market volatility, and weaker premium growth prospects. And, however, while the tragic loss of life will have a negative impact on the entire community, from an insurance perspective, life insurers may not see a large volume of life claims, as many of those who died from coronavirus infection were from an age group that may not have had coverage.

Pandemic also influenced stocks and bonds market.

The site's owner, Zoom Video Communications, has been one of the top leaders to benefit from the coronavirus crisis. In the second quarter of 2020 alone, the company's revenue grew by 355%, to $ 633.5 million. In three months, the company received more revenue than in the entire 2019. Zoom shares have gained 508% since the beginning of 2020, and 490% for the entire coronavirus year.

During self-isolation, people also had the opportunity to study the stocks and bonds market more, which gave new opportunities for the emergence of new products, new strategies and opportunities for market development. According to Alexei Skaballanovich [20], asset manager of REGION Asset Management, central banks around the world began to support their economies by lowering their rates. This led to a drop in deposit rates and, accordingly, aroused more interest in the stock markets.

Overall threats and opportunities for different spheres of financial market are in the Table1 below:

Table 1 - Threats and opportunities for financial market

Sphere of financial market	Opportunities	Threats
Credit market	• Resilient household spending and labor markets contributed to the central bank's rate cut. Lower rates will support financing terms and prevent a global recession. • Before the pandemic, large state-owned banks lost interest in lending to the real sector, but this segment revived during the pandemic, saving businesses. • People began to apply more often for refinancing, as additional funds were required due to the transition to another sphere or format, the construction of entrepreneurial activity from scratch. • The digitalization of banking products has taken place.	• The spread of the virus in corporate credit markets began to undermine the solvency of enterprises. • The COVID-19 crisis hit consumer and POS lending the most. The issuance of cash loans also fell. The volume of issued POS loans decreased by 65.8%. [12] The retail loan portfolio shrank 0.7%. [12] • The structural liquidity deficit has worsened. The liquidity surplus in the banking sector was declining due to the growth of cash in circulation. • Against the backdrop of a decline in business activity, growth in all lending segments slowed down. • Banks' profits declined due to deteriorating loan quality, negative revaluation of securities and slowdown in lending.
Currency market	• The depreciation of the Russian ruble leads to an increase in the consumer basket, an increase in prices for imported goods and a decrease in demand for them, which means that the demand for goods on the domestic market will increase, contributing to an increase in supply and, accordingly, the growth of entrepreneurial activity. • Now the oil market, like other stock exchanges, is dominated by optimism associated with the start of mass vaccination. This is expected to lead to relieve pressure from key economies, including major oil consuming countries.	• Such a fall in the ruble exchange rate could lead to an increase in interest rates on attracted and placed funds and a fall in prices for Russian financial instruments. • A sharp drop in oil prices could cause a decrease in income from its export, and among importers - to a decrease in demand for purchased goods and, in general, lead to a devaluation of the national currency. • Speculative background can significantly fluctuate the values of indicators due to unconfirmed information and an increase in panic
Stocks and bond market	• Faster digitalization and technologies development • People had an opportunity to study the stocks and bonds market more • Emergence of new products, new strategies and opportunities for market development.	• Non-professional players entered the market. If investors are incompetent, then this can lead to bankruptcy of shareholders and upsetting the balance of the stock system.

	• Central banks around the world began to support their economies by lowering their rates. This led to a drop in deposit rates and, accordingly, aroused more interest in the stock markets. • Opportunities for almost unhindered entry into these areas for shareholders with small capital. what can contribute to a more even distribution of capital.	• A threat of bankruptcy for firms that could not switch to digitalization in time, as their shares fell in value.
Insurance market	• New opportunities for mergers and acquisitions • Record low-interest rates, market volatility or an economic downturn may push for deals. • COVID-19 also offers insurers a chance to build trust, brand, and employee morale. Confirm to policyholders, potential customers, and staff that the industry's primary mission is to help manage risk and protect against shocks. • Digitalization of this area, which quarantine measures have pushed many companies to, will also have a positive effect in the long term.	• Since the growth of patients has increased dramatically, the burden on insurance companies has also increased, this entails a greater number of payments and longtime delays. • Combined with the decline in purchasing power, there is an impact of market volatility and general uncertainty on consumer confidence and, consequently, on the willingness to spend. • Ultra-low interest rates. In these circumstances, the most significant source of risk for insurers is the efficiency of investments, especially for life insurers with guaranteed reserve books.
Investment marker	• Because of the COVID-19, the pace of technology adoption will accelerate in the next three years, it will attract investors to the field of technology and IT services and create significant changes in the "hierarchy of nations", which will entail an influx to those countries where technology development is more rapid. • increasing the relevance of the issue related to climate change and sustainable development. This trend will attract the attention of investors to those countries that will demonstrate a more active position in the development of areas related to environmental protection and sustainable development. • New positive trends like: invest in technology, healthcare, and green manufacturing; invest in adapting to the "new normal" and prepare for the next crisis.	• Huge investor losses (Some foreign investors have demanded that states pay compensation in the millions and billions of dollars) 10% [18] of foreign direct investment projects in Europe were canceled and another 25% [18] were frozen (see the Image1 below). • Outflow of investment from some countries due to development of IT sphere and care about environment • Reducing FDI due to decreasing the importance of globalization.

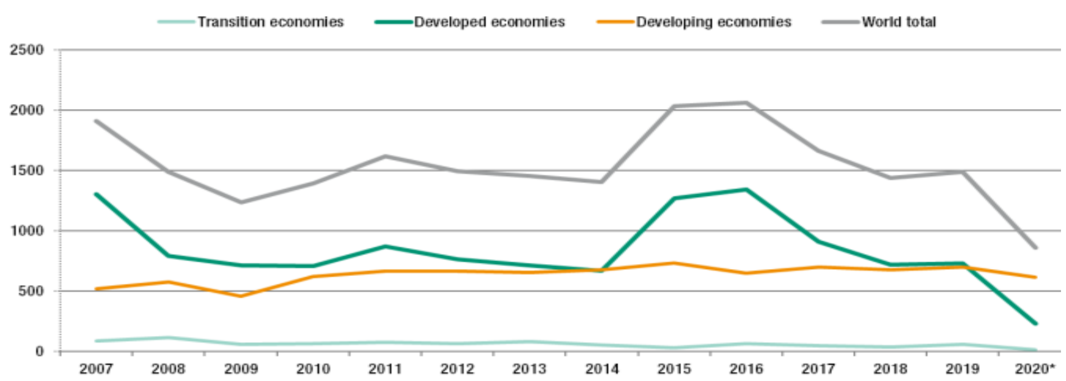

Image1 - FDI inflows, 2007-2020. [18]

The coronavirus pandemic has become one of the main threats to the global economy and financial markets. The COVID-19 pandemic has led major institutions and banks to downgrade their forecasts for global economic growth. It has also had a negative impact on the service sector, as lower consumer spending has had a negative impact on retail, restaurants, and aviation. The reduction in production activity around the world led to a decrease in oil demand, which also caused a decline in oil prices. Concerns and fears related to the spread of the COVID-19 virus and its impact on the global economy have negatively affected investor sentiment, which in turn has led to a sharp decline in stock prices in major markets. Concerns about the spread of the virus around the world also led to the fact that bond yields began to decline. Already, there is a significant reduction in the tourism sector, which is due to the restrictions imposed on travel and the cancellation of travel in both the business and entertainment sectors.

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