

# Impact of COVID-19 Pandemic on Securities Investment Market

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## ABSTRACT

At the beginning of 2020, a new type of COVID-19 broke out in the world. In China, although the pandemic is under control, it has inevitably caused a huge impact on our economic life. It causes people to shop less, go out less, travel less, consume less and invest less. As a result of the reduction of a large number of economic activities, social demand has also been drastically suppressed. The impact on the securities market is therefore worth studying. This paper mainly focuses on summarizing the impact of China's securities market, the problems existing and the corresponding macro-policy that the government have issued. Based on that, a series of finance, tax, monetary and credit discussion is provided to cope with the economic downward trend, including the implementation of the Tobin tax if massive foreign capital inflow. Finally, measures taken have all contributed to form a new developing situation, which can also serve as a "preventive injection" for the future.

**Keywords:** *Covid-19, pandemic, Securities Market, macro-policy.*

## 1. INTRODUCTION

The development of securities investment has a long history. Securities investment first appeared in the 1860s. It is more standardized in all aspects, and the development field is also expanding. Securities investment was introduced into China at the beginning of the 20th century.

Compared with foreign countries, China's securities investment started relatively late, but with the rapid growth of China's economy, the types of securities investment, securities investment, and

Both quantity and scale are developing steadily. Compared with western countries, China's securities investment is not perfect, especially in the new era. After the outbreak of the pandemic, China's securities market was in a slump. Although the impact was short-term, the market fluctuated sharply in the short term. Obviously, it is unavoidable. At present, the state has taken many measures to make the securities market gradually stable and stable.[1]

The purpose of this paper is to summarize and analyze the impact of the current domestic policies on the national economy and security market and bring up possible measure into discussion.

## 2. THE IMPACT OF COVID-19 PANDEMIC ON SECURITIES INVESTMENT

The emergence of the pandemic has affected many areas in China. Delaying the return to work and isolation at home is a decision to prevent the further spread of the pandemic, but it has a certain impact on China's economic development and also poses a threat to employment. The stock market is the first to bear the brunt of economic development. According to the data, affected by the new COVID-19 infection of pneumonia, on the first trading day of the Chinese Lunar New Year of the rat, the three stock indexes of a share opened significantly lower, and the index decline narrowed slightly. According to the data provided by popular securities websites, it can be seen that bird flu, blood products, medical e-commerce and other concept plates rose, while cinema, tourism and other sectors rose. The plate fell at the forefront of the list. In terms of individual stocks, as of February, a total of 3617 stocks fell, with 150 stocks including Tibet Chengtuo (6.020, - 0.11, - 1.79%), Lanhai investment (4.710, - 0.29, - 5.80%) and Jinfa rabbi (5.800, 0.12, 2.11%) declined by more than 5%. 135 stocks rose, and 83 stocks including magic Pharmaceutical (6.580, - 0.05, - 0.75%) and Zhejiang Zhenyuan (7.000, 0.03, 0.43%) rose by more than 5%.

During the A-share market closure, the peripheral stock market also fell due to the impact of the new crown pneumonia pandemic. From January 24 to 31, the A50 futures index fell by more than 7%, the Hang Seng Index fell by 5.7%, the Korea composite index and Taiwan weighted index fell by more than 5%, and the US stock index and the S & P 500 index both fell by more than 3% [3].

Many shareholders have suffered different degrees of economic losses. Some stocks and bonds even fell below the bottom line, which directly led to the bankruptcy of capital companies and listed companies. In addition, not only large companies and enterprises have been affected, but also the upstream and downstream small and medium-sized enterprises have also been affected. The fracture of the capital chain and high loss make these enterprises face the risk of bankruptcy. The impact of the pandemic on different industries is different. The industries that need gathering places to consume are the most affected, such as catering, tourism, cinema, bar and other industries.

These industries have been greatly affected, which can be said to be cliff shaped. A large demand suddenly disappeared, although this impact did not affect its production capacity and service capacity, the impact of short-term traffic is fatal. Because there is no profit, and the enterprise needs some normal expenses to maintain its operation and loses cash flow, many fixed and rigid expenses make the enterprise face bankruptcy risk.

Secondly, the manufacturing industry, with the decline of market demand, the supply of manufacturing industry will be affected, and the short-term hoarding of goods will have a fatal impact on small and medium-sized enterprises, and they can not get cash, can not maintain the normal operation of enterprises, and eventually lead to the rupture of the capital chain. In the face of this chaotic situation, the state chooses to increase macro policy adjustment, better play the positive role of fiscal policy, and maintain a stable monetary policy. At the same time, it requires "actively expanding domestic demand and stabilizing external demand", and proposes "accelerating the construction of a number of major projects".

### **3. PROBLEMS OF SECURITIES INVESTMENT IN CHINA**

#### ***3.1. Environmental Problems of the Stock Market***

The environment of China's securities market is not standardized enough, and the information disclosure is not complete. Although the management mechanism is increasingly perfect, with the increase of capital investment, compared with the number of products,

there are few choices that can be made. The system of risk aversion is not perfect.

#### ***3.2. Imperfect Regulatory System***

In recent years, the development of securities investment is in a good state, which has a great relationship with the management system formulated in China. However, even so, it is undeniable that there is a lack of external supervision of funds in China. Relevant laws and regulations are not perfect, so that

There are some risks in securities investment. In addition, the universality of regulatory objects is the necessity of the complete existence of the regulatory system.

#### ***3.3. Industry Talent is Scarce***

Talent is a major factor to promote the development of the securities investment industry. The talents needed by securities investment are comprehensive talents. There is a lack of high-end talents in the industry, and the flow is frequent. The demand for talents is also increasing, which also leads to managers

The serious lack of staff and staff is extremely unfavourable to the development of capital performance and the comprehensive development of the securities investment industry[4].

### **4. MEASURES SHOULD BE TAKEN IN CHINA UNDER THE INFLUENCE OF PANDEMIC SITUATION**

China's policy measures against the pandemic situation are somewhat different from the previous policies to deal with the downward pressure of the economy. Enterprises and individuals are linked together, including targeted VAT exemption and tax refund, periodic relief of corporate social security fees, loans. Financial discount, deferred payment of housing provident fund, deferred declaration and tax payment, etc.

We should give specific support to specific industries, pay close attention to those fragile industrial chains, supply chains and their weak links, so as to prevent the "domino effect" caused by the impact of the pandemic. Timely repair of the supply chain and industrial chain was broken due to the impact of the pandemic to prevent permanent rupture.

The government should give full play to its role and "dredge the blocking points" for small and medium-sized micro-enterprises through the popularization policy. In the capital chain, supply chain and industrial chain, we should pay special attention to the impact of the capital chain. Small and medium-sized enterprises involve a large number of jobs. Once the

capital chain breaks, these jobs can not be maintained normally, which brings a series of problems.

The second is the supply chain, which ensures the smooth operation of the supply chain by maintaining the smooth flow of logistics so that the whole economy can be recycled. Knowing that the supply chain and the capital chain are stable, the industrial chain can also be stable.

We should dredge the logistics as soon as possible, and take the opportunity to straighten out the system problems of the development of the logistics industry and solve the problems such as the unreasonable regional pattern of logistics and local separatism[5].

## **5. DISCUSSION**

Based on the current circumstances and have been discussed above, the Government should give priority to stabilize the employment situation in order to release the correct signals. Moreover, it should also consider encouraging PPP( Public-Private Partnership)and the public-purchasing services, launching market-oriented reform measures, and make full use of social resources[2]. In this way, the government can issue a number of policies to provide good support for winning the battle of pandemic prevention and control and stabilizing economic operation.

### **5.1.Finance**

From the perspective of financial subsidies, since the outbreak of the pandemic, the financial department has continued to increase funding according to the development of the pandemic. The subsidies and funds for the anti-pandemic personnel and fund for medical materials should firmly be guaranteed by financial funds at all levels.

### **5.2.Tax Policy**

From the perspective of tax policy, the civil aviation development fund paid by civil aviation enterprises is exempted. For the transportation, catering, accommodation, tourism and other industries which are greatly affected by the pandemic situation, the loss carrying forward period will be extended for another three years on the basis of the current five-year carry forward, so as to promote pandemic prevention and control and stimulate economic growth by reducing the burden of enterprises and individuals. In addition, local and level financial departments also responded positively and issued some policies and measures according to local conditions, providing further help for small and medium-sized enterprises and providing good support for stable economic operation.

### **5.3.Monetary and Credit Policies**

From the perspective of monetary and credit policies. The state releases the overall liquidity by reducing the reserve requirement, facilitating medium-term borrowing and reverse repurchase to maintain sufficient liquidity and stock stability in the financial system. By reducing the reserve requirement and facilitating medium-term loans, the market will be able to liberate a large number of long-term funds, support small and medium-sized enterprises in financing, strengthen credit supply and reduce financing costs. Special refinancing support banks should be set up to provide preferential interest rate loans to key enterprises engaged in the production, transportation and sales of key medical prevention and control materials and necessities, and further reduce the financing costs of enterprises producing pandemic prevention and control materials through financial discount. To carry out the central bank bill swap (CBS) operation, exchange the perpetual bonds should be issued by commercial banks, and support banks to launch perpetual bonds to supplement capital, so as to enhance the risk tolerance of banks.

### **5.4.Tobin Tax**

In addition, under the situation that the domestic pandemic situation has been effectively controlled but the global pandemic situation is still very serious, there may be a substantial increase in the inflow of foreign capital in the future. Tobin tax is one of the ways to supervise and properly control foreign capital. Tobin tax, first proposed by Nobel Prize winner Tobin in 1972, refers to a unified transaction tax on spot foreign exchange transactions to reduce pure speculative transactions.

Generally speaking, the role of the Tobin tax is to pour sand into the fast-moving chain of international capital flow and reduce the speed of capital flow. Capital flow is normal and is a part of the market economy. The critical factor is its speed control, sudden inflows and outflows can both have a negative impact. One of the main factor affecting the flow of funds is confidence. Usually, due to the large inflow and outflow of funds, the financial market fluctuates, leading to fluctuations in the foreign exchange market and financial market. When investors, financial institutions and the financial system can no longer bear it, the national security issue will be involved, which is the core issue. Once an accurate judgment is made, investors can take a variety of measures when they are already unable to bear it.

First of all, we should take intervention measures, that is, if the stock market fluctuates, we can rescue the market; if the foreign exchange market fluctuates, we can stabilize the exchange rate by investing in foreign exchange, which is also a common measure in China.

In addition, administrative measures can be taken. We should take measures to restrict the transaction behaviour, increase the transaction cost and impose Tobin tax truthfully. However, in the process of implementation, we need to consider whether the transaction cost increased by the implementation of the Tobin tax is enough to have a substantial impact on capital flow. "

However, when introducing the Tobin tax, regulators must consider three basic premises, including a transparent trigger point, sufficient information disclosure in the implementation process, and a clear exit mechanism. At the same time, he also stressed that the implementation of the Tobin tax must be "customized" according to the national conditions [6].

## 6. CONCLUSION

This paper mainly focuses on summarizing the impact of COVID-19 on China's securities market, the problems existing in the securities market and the corresponding solutions based on this global pandemic. Mostly From the perspective of government under the influence of the sudden situation. During the period of SARS and SARS virus, China stock market was far less affected than this time. Based on the analysis and lessons learned from this pandemic, measures are taken and also the corresponding policies can all serve as a "preventive injection" for the future.

The pandemic not only affected certain countries but had a great impact on almost all countries in the world, both economically and sociologically. As the first country to discover and react to the pandemic and implement corresponding policies, China is setting an example for the rest of the world, providing an experience for other countries on the implementation of government regulation measures.

After the reforming and opening up, China has ushered into a new developing situation. In the continuous development, China's economic strength is becoming stronger and stronger especially in the trend of economic globalization, which has well driven the domestic economic development. In the face of the short-term impact of this pandemic, I believe every country should be able to overcome temporary predicament and recover after implementing appropriate policies and measures!

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