

The Impact of Coronavirus on the Trading Market

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In brief

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One of the biggest changes has revolved around the world's labour market, with a growing number of people now working remotely from home as a long-term measure. This has accelerated a wider working trend, while also encouraging some individuals to seek out additional ways of building passive income.

More specifically, net flows into exchange traded funds (ETFs) have increased by a whopping 40% so far this year, as people look to profit from the financial markets. But what are the other standout changes that have impacted on the world's economy and financial marketplace?

Wild Currency Fluctuations and the Gradual Decline in the USD

We've certainly seen some wild currency fluctuations during the coronavirus outbreak, while emerging Asian currencies (particularly the Hong Kong dollar) have benefited from increased financial support to perform well against major assets such as the USD and the GBP.

Interestingly, even the greenback has endured a challenging run during Q2 and Q3 this year, after initially faring well and avoiding the consequences of the type of quantitative easing measures rolled out across the globe.

Prior to this, the Canadian dollar was one asset that had hit a multi-year low against the USD in March, following hot on the heels of the GBP and the Euro.

However, the CAD has since followed the example of various Asian currencies and made up considerable ground on the greenback, thanks largely to more effective handling of the pandemic and a faster pace of reopening within the relevant economies.

Tech Stocks are in Decline

The stock market has also been in a state of flux since March, when indexes such as the Dow Jones, S&P 500 and the Nasdaq crashed after scaling record highs in the previous weeks.

Whilst the markets have steadily rebounded throughout Q2 and Q3, September saw a further decline in stock values, with this largely driven by a fall in the performance of established (and largely blue-chip) tech stocks.

The Nasdaq, which gets about 40% of its cumulative value from just a handful of technology stocks, lost 5% in September overall, while the S&P 500 and the Dow Jones shelved 4% and 2% during the same period.

This may indicate that tech stocks have matured and peaked, but it's also indicative of market uncertainty and decreased earnings amongst these firms.

Oil has Embarked on a Downward Trend

Oil prices have been driven down for years now, with the ongoing imbalance between supply and demand causing OPEC to introduce various production caps in recent times.

The excess of supply was compounded by a global depreciation in demand in the wake of the coronavirus outbreak, causing prices to sink to almost record lows in March. The price of crude oil declined from \$61 to just \$20.40 on March 18th, for example, before rising slightly to \$24.50 over the course of the following week.

While prices have risen incrementally against a backdrop of increased demand and further production cuts by OPEC, however, the second wave of infections have begun to take hold across the globe and sent the value of Brent crude spiralling to \$42.28 per barrel.

This trend is likely to continue in the near-term, particularly as governments struggle to contain Covid-19 outbreaks and continue to curb their overall consumption levels.

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