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EFFECT OF 2016 CHINESE STOCK MARKET CRASH ON INDIAN STOCK MARKET

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Abstract: *A deep drop in Chinese shares in the beginning of January 2016 halted trading in Shanghai and dragged down stock markets around the world. The unexpected fall in Shangai Composite Index forced the Chinese authorities to suspend stock market trading. The Indian Stock Market suffered a major setback due to the Chinese stock market crash There was a huge volatility in India's index of BSE Sensex and National Stock Exchange. This paper reviews the effects of the recent Chinese Stock Market crash on BSE sensex and NSE Nifty of Indian Stock Market.*

Keywords: *Chinese stock Market, Stock Market Crash, BSE, NSE, Volatility, Equity market.*

INTRODUCTION

Chinese stock market has lost 7 per cent on Thursday in 1st week of January, it totally affected the global market including Dwjones down by 5% already.

Chinese Crash and the Effect on Global Economy

China is the world's largest trading partner when compared to other developed and developing countries in the world .Most of the consumer good consumed by consumers in the world are of chinese made. The developing countries like in middle-east asia and some parts of European countries face problems if anything happen to chinese economy.

Once china is considered as totally communist country, and slowly the transition to capitalism is in process and they are succeeded in the process and thus, it occupies the major portion of global economy and it is evidenced if anything happens to chinese stock marker, it affects the whole of the other stock markets in the world.

Most of the consumer goods in the world wear this letters (Made in China) somewhere in the product and also in the package, china has the advantage of

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cheap labour and also it used to import the basic raw materials for production from other parts other the world. It has agreements with other parts of the world for importing raw materials. The emerging economies in the world largely depend on china to import the raw materials.

CAUSES OF 2016 CHINESE STOCK MARKET CRASH

1. Many investors forced to sell off their shares.
2. Emerging and also developed countries devalue its currencies.
3. Shanghai stock market faced a deep 30 per cent fall.
4. More than 50 per cent of the listed companies in Shanghai stock market marched towards trading halt.
5. Shanghai stock market faced a further fall of 8.48 per cent.

EFFECTS OF 2016 CHINESE STOCK MARKET CRASH

1. Shanghai stock market index has lost 8.49 per cent of its value.
2. There were to Black Days, one on 4^{th} and 8^{th} January 2016.
3. Dwjones industrial average faced an uncertainty and dropped a thousand points .
4. It created fears among of a global slow down.
5. US stock indexes tumbled about 2 per cent.

6. The chinese stock market fell by 5 per cent on January 4^{th}, 2016.
7. Shenzhen composite was fell by more than 8 per cent.

Dragon Fire Singes Markets, Sensex Plunges 538 Points

The sensex joined the worldwide value selloff with a 538-point plunge on Monday - the greatest fall in more than three months - activated by a 7% drop in Chinese stocks taking after frail assembling information. The rupee tumbled to a two-week low of 66.62 - 48 paise from its past close of 66.14 - recording its most keen single day fall since November 9, 2015.

The sensex fell 2% to close at 25, 623, the expansive based clever lost 172 focuses or 2% to settle at 7, 791. Both files hit a two-week low with managing an account, telecom and vehicles stocks confronting a selloff. The Dow Jones Industrial Average opened 400 focuses lower. Prior in the day, Japan's Nikkei shut 3% lower and the skillet European FTSEurofirst 300 list fell 2.5%. S&P 500 fell 2% as rising shares dropped more than 3%.

Tata Motors, which generates a third of its operating profits from China, was the worst hit among the sensex stocks losing 6% on Monday. The market capitalization (of BSE companies) slid below Rs 100 lakh crore.

Investor wealth, as measured by the *m*-cap of all stocks listed on the BSE, fell by about Rs 1.51 lakh crore.The business sectors responded exclusively to the China element. China stopped exchanging after the CSI-300 list drooped 7%. The world's second biggest securities exchange started the new year on a dull note after information demonstrated that assembling shrank for the fifth straight month. The droop in the Chinese economy is growing and harming developing markets.

The BSE-Banking record lost 2.6%, the second most exceedingly bad execution among files. The clever opened in the negative region for the second successive time yet neglected to repeat the recuperation organized on Friday as the sharp fall in Chinese and Japanese markets provoked financial specialists to remain hazard unwilling. The downturn quickened as information discharged later in the forenoon demonstrated that India's assembling PMI contracted. The business sector expansiveness changed to negative from positive-1277 stocks progressed while 1608 stocks declined on the BSE. The clever unpredictability record, India VIX shut down at 16.8350, up around 18.05%. The mid-top little top segments finished down around 1.2% and 1.1% individually.

The Indian value markets endured a noteworthy misfortune on Monday in the midst of a wide based auction in worldwide stocks as an accident in the Chinese markets alongside the heightening of pressure in the Middle East spooked worldwide speculators conclusion.

The surprising fall in Shanghai Composite Index, which tanked 7.4 for every penny in the midst of a worry in regards to development stoppage constrained the Chinese powers to suspend securities exchange exchanging. It was the first run through China utilized the "electrical switch" instrument it reported toward the end of last year.

Aside from the worries with respect to China drove worldwide development stoppage, worldwide financial specialists likewise expects that the present stand-off amongst Iran and Saudi Arabia would raise the partisan clashes in the Middle East, which has infused a component of instability in the worldwide oil market. Reflecting the shortcoming in worldwide stocks, the Sensex enlisted its greatest fall in almost four months to end the day at 25, 623.35, diving 537.55 focuses or 2.05 for every penny.

Thus, gold has again turned into a place of refuge for financial specialists. In Mumbai, standard gold (99.9 for every penny virtue) shot up Rs 295 to end at Rs 25, 460 for each 10 grams. Suppositions were ruled by the gigantic auction in Asia and Europe after suspension of exchanging Chinese shares post the sharp dive in Shanghai Composite. Geopolitical strains in the Middle-East likewise hosed conclusion. China's PMI keeps on underlining its descending development direction with value markets mirroring a sub-seven for each penny GDP figure for timetable 2016 and past. The fall in the business sector wiped out Rs 1.54 lakh crore worth of financial specialists riches pulling down the aggregate business sector capitalisation of BSE recorded firms to underneath Rs 100 lakh crore.

The Sensex tanked to its 52-week low in the intra-day exchange before consummation the day at 24, 851.83, tanking 554.50 focuses or 2.18 for each penny, wiping out Rs 2.45 lakh crore of speculator riches. Worldwide financial specialists expect that the focused downgrading of yaun may prompt lower item costs, which is required to affect corporate income and assembling development in numerous parts of the world. While specialists feel that high episodes of instability would be a lasting component of value markets in 2016, specialists said speculators ought to figure out how to exploit such sharp swings in the business sector. What we found in the Indian markets was an eruption to the advancements happening in the worldwide markets. In a general sense, we are in a solid position right now and I expect more number of financial specialists coming into our business sectors in coming days, which will help our business sectors to post great returns proceeding.

The portfolio cash put resources into the Chinese value markets are liable to stream into India going ahead and speculators ought to take a gander at quality stocks crosswise over sectors for better returns. It will be a stock particular business sector in 2016. Rather than getting impacted by the development of stock lists, financial specialists ought to take a gander at quality stocks.

The business sectors are presently exchanging close to its 52-week low. Rather than offering in frenzy, I think speculators ought to clutch their extensive top stocks. The business sector defeat in China dragged down the sensex for the fourth continuous session on Thursday to close at 24, 852, lost 555 focuses (2.2%) with all the 30 stocks in the red. On Thursday morning as the CSI 300 list in Shanghai tanked 7% and the Chinese powers suspended exchanging for the day, the sensex opened more than 1% lower and lost steam through the session to tumble to 24, 826, its one-and-halfyear low level. Thursday was the second day this week the Chinese powers quit exchanging the share trading system after the list smashed 7%. The day's misfortunes universally was additionally affected by China's national bank's choice to let yuan, its coin debilitate by most honed pace ever, from 6.5125 to a dollar to 6.5923, a level not seen subsequent to 2011.

In India, the sensex has now lost more than 1,300 focuses since its New Year day shutting down at 26,161 and misfortune to financial specialists' riches, measured by BSE's business sector capitalisation, amid the same period was Rs 4 lakh crore with the bourse's business sector top now at Rs 96.65 lakh crore.

The slide in the household market as drove by BHEL, Tata Steel, Tata Motors and Axis Bank, with each of the stock shutting down 5% or more. Markets in Europe and the US likewise felt the turbulence beginning in the Middle Kingdom.

In Asia, Nikkei in Japan shut down 2.3%, while Hang Seng in Hong Kong was down 3.1% at close. The late crashes in worldwide markets are additionally due to Chinese government's choice to give yuan a chance to debilitate, showing faint odds of a speedy recuperation of the economy that developed in twofold digits rate for more than 25 years.

Market players here said the shortcoming in the Indian business sector is mostly because of outer variables. Broadening misfortunes for the second in a row day, the rupee declined by 11 paise to close at over 3-week low of 66.93 against the US dollar on steady interest for the American coin from banks and merchants in the midst of sharp fall in values. Furthermore, maintained outside capital outpourings influenced the rupee supposition. Gold costs recaptured the Rs 26, 000-mark by taking off Rs 350—its greatest one-day surge this year—to exchange at its largest amount in more than three weeks at Rs 26, 150, following uptrend in the worldwide bullion market and ascend sought after from local gem specialists.

CONCLUSION

The weakness in the Indian market is mainly due to external factors like fall in crude oil prices. A weak Chinese economy is leading to lower demand for metals across the world, which is affecting metal ore exports from India.Since troubles in

China are prompting foreign investors to look for safer havens. Fundamentally Indian Stock Market is much stronger than most other emerging markets including the Chinese Stock Market.

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