

Stock Market Boom amidst the Economic Downturn: A Critical Evaluation of the Paradox*

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Abstract

The outbreak of novel Corona virus across the world has seriously affected people's life in general. Economies in and around the world are facing challenges due to this pandemic. The impact of corona virus is not a cyclical or seasonal fluctuations in the economy rather it is a short term disaster. According to the behavioural finance theories the stock prices will be affected by both the basic values as well as investor's psychology and many other behavioural factors. So this pandemic has affected the investor's psychology and this in turn affects the stock market operations. So the study tries to analyse the impact of corona virus in the major stock markets of the world especially in India. And has used secondary data for analysing the impact using newspaper reports and stock market reports with the help of GARCH model. The study concluded that due to the emergency situation the stock market is currently delinked from its real economy and that is the reason why the stock markets are rising even the economy is in a downturn. Also the stock markets shows high volatility in their returns.

Keywords: COVID-19, Stock market, GARCH, Indian Economy, Investor's psychology.