

Business Standard

Economic disruption is unprecedented amid coronavirus, says Shankar Sharma

The co-founder and vice-chairman of trading company First Global says the scale of economic disruption will impact all

Samie Modak March 12, 2020 Last Updated at 23:43 IST



The Indian markets have plunged into bear territory with the Nifty coming off 22 per cent from its record level in January. **Shankar Sharma**, co-founder and vice-chairman of trading company First Global, tells **Samie Modak** that the scale of

Shankar Sharma, co-founder and vice-chairman of First Global

economic disruption, happening because of coronavirus, is unprecedented and will impact all. Edited excerpts:

Are you surprised by the extent of correction we have seen?

Benchmark indices touched record highs in January but it was just a handful of stocks that were driving the market. Such a thing can last for some time but when it ends, it ends brutally. There will be some trigger for it

to end. Coronavirus has come as a reason for this massive fall. But the situation was problematic even before the spread of the virus. In 2000, only the technology stocks were driving up the market. When they collapsed, it pulled the whole market down. In 2007, financials were running up and they collapsed. This time also, there were only 8-9 stocks that were driving the market.

Should one look to buy now?

I don't think we should be in a hurry to buy. Every significant bear market that has happened in the past two decades has not gotten over in one month. This qualifies as serious bear market. This isn't a routine correction. It is happening globally; it is happening in India. The scale of economic disruption that is happening because of the virus is probably not seen in a long time. So there shouldn't be a rush to go out blindly and become a cowboy. One should let the dust settle, let some positive data points to emerge. It is alright to buy 20 per cent higher rather than buy something that falls 30 per cent in the next few days.

Do you think overleveraged companies will be in more trouble?

Companies that require external capital always run into trouble in situations like this. Leveraged companies fall more than ones with low debt. But the impact of the economy getting disrupted will be felt by everyone. Nobody will be completely insulated. The scale of hurt will depend on your financial structure. It is a significant macro problem, not specific to a company or industry. There will be some people who will survive better but everyone will be hit.

What should the investor buy now?

I think the only thing that is safe right now are government securities.

Is there anything the government can do to revive sentiment?

The government can do a lot of things but the problem is the fiscal situation isn't great. In order to do anything, you need fiscal space. The crash in global oil prices has provided some relief. We will have to wait and see how the government reacts.

Will a rate cut help?

Rate cut take some time. It is a blunt instrument not a sharp instrument. As it is, the recent rate cuts have not translated into economic growth.