

BREXIT: IMPACT ON THE INDIAN ECONOMY AND STOCK MARKET

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ABSTRACT

One of the hugely anticipated major economic events “BREXIT – Great Britain’s referendum to exit from the powerful European Union” happened in June 2016. This certainly marked the materializing of a global event risk in today’s world. BREXIT has certainly taken many by surprise and was unexpected by most quarters of the world financial markets which was evident from the immediate negative reaction mostly driven by the sentiments. Post which, developments have been more in line with broader market consensus as policy makers have expressed their willingness to extend full support to the economy. UK’s Bank of England has already loosened its monetary policy and is probably going to do more in the coming days to avoid any unnecessary collateral damage. Sensing that the growth of the economy will be impacted, the UK government could also go in for a more pragmatic fiscal policy in days to come. Markets have remained broadly stable and have reacted on expected lines with adequate capital making its way towards safe haven assets. The initial reaction in the markets was of shock and resulted in steep declines in the equity markets and strengthening of the USD. However, since then the level of risk aversion has reduced and equity markets across the globe have done well along with a rise in price of most sovereign bonds. Still, the true ramifications of Brexit will take months, to become apparent. While there are a number of possibilities that can play out in the coming months, it is important to take a step back and gauge the impact on the Indian economy and stock markets through its linkages with UK and the broader EU economy. This paper attempts to find the impact of Brexit on the global economies and stock markets, with a special focus on India.

KEYWORDS: Brexit, Stock Market, Economy, Investors