Financial markets under different economic situations

Literature, Russian Literature

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Financial markets are the most unstable economic markets that any investor can foresee. With economic recessions and high interest rates, the stock market of the US faced what seemed to be the most trying moments in the history of US financial markets. As if that was not enough, the Federal government had declared intentions of raising the interest rates through the Federal Reserve Board. This elicited mixed reactions among financial institutions, investors, and corporates at large as there was one predictable fact that the rise in interest rates was going to escalate the annual bond yields. Most of the financial institutions had the fear factor because this imminent danger had not occurred in two consecutive years and the stock market had just began to regain its vigor. Many stakeholders were reluctant to accept the idea amid the European countries efforts to pull out of the credit crunch situation.

A move dubbed ' compounding of the market's worries' equally triggered various reactions from different financial leaders and institutions with some pulling out of the impending market hitches. One example of such players is the Chinese government that decided to close the lending by various banks, a move that saw the People's Bank of China improve due to increased yields and capital retention. This was a wise move as it acted for the benefit of the existing financial institutions so that they could sail through the credit crunch. In a surprise rejoinder, Sir Mervyn elucidated on the market trends and the future prospects of the financial institutions by claiming that there was no guarantee that the soaring interest rates would come back to normalcy in the near future. This clearly demonstrated the turbulent nature

of the financial markets that have a tendency and a possibility to choose any financial trajectory whereby it would be almost impossible to predict the future of the stock markets.

Although the Federal Reserve had committed itself to easing the market crisis, it was skeptical about the possibility of the market to stabilize without further fluctuations, as these significantly depended on the prevailing economic conditions. Although virtually all financial institutions and corporates were eager to see a drastic change in the market conditions, there can never be any tangible results unless there is a change in the market environments. This simply means that if sustainable economic recovery were to be realized, then the markets ought to have enacted policies that would see a reduction in the interest rates and subsequently housing bonds. This would have had tremendous economic implications particularly on the financial institutions such as commercial banks whose performance index heavily depend on the nature and level of interest rates charged.

In acknowledging the fact that ‘ markets tend to test and change things’, the president of the Federal reserve categorically stated that large amounts of money do not have the capability to reorganize but instead follow any weak points in the financial markets, an attribute directly related to the credit crunch that was at its peak at that particular time. Indeed, it is the duty and responsibility of the financial institutions and the relevant bodies to institute policies that regulate the interest rates so that the rates do not rates do not exceed the projected figures. In order to ease the fixed liquidity situation and the fluctuations of the interest rates, it is imperative to exclude emotional

and seasonal factors, as clearly stated in the statement issued by the Chinese Central bank. This is especially so because when dealing with the stock exchange market where there is constant fluctuations in various economic factors.

Although many financial leaders made many promises about destabilizing the market, the anxious financial institutions had to adopt a wait and see attitude as the unpredictability of the market seemed to overwhelm virtually all the financial institutions more so the banks. Although the financial prospects echoed by various central banks were quite encouraging, the market trends needed some drastic action in order to save the whole crisis. The fact that the markets underwent an economic crisis does not necessarily mean that the problem was irreversible but actually, it was some kind of message to the financial institutions to be better equipped in dealing with such circumstances as they could reoccur without any warning. This was a momentous lesson to the Federal Reserve board, other governments, and the financial institutions at large to collaborate in putting in place policies that would prevent the interest rates from soaring. This would mean lower borrowing and lending rates, and reduced bond rates.