Evolutions and Trends on the Romanian Capital Market in the Post-Covid-19 Period

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Abstract

The stock market, be it cryptocurrencies or securities, is meant to bring a passive income from investments, so we recommend that when investing in the stock market you have a solid financial base and a steady source of income in case of losses. The market is also very unpredictable, the analyses and theories presented are quite accurate and are based on thorough research, but the market can be unpredictable at times, which is why we consider these predictions to be pure speculation.

The purpose of this paper is to point out that most of the time if you invest without a solid basis on how the charts work and when to enter the market, you will most of the time come out at a loss, or, you will not make a profit that matches your expectations.

Key words: capital market, stock market, investment, saving
J.E.L. classification: G1, G11, G15

1. Introduction

To start investing in the stock market, we first need to understand exactly what the stock market is.

The stock exchange is the market on which any financial instrument is traded, which allows anyone to make a passive income from the rise or fall in the price of the assets they are buying or selling, which allows companies to promote themselves by selling parts of their equity in the form of shares. Under another concept, the stock market allows investors to directly enter into the influence of a company and collect dividends if the company distributes them.

To better understand the market, we need to understand what stocks are. A company's shares are the ownership of a right to a share in that company, which is more like a certificate of ownership. Companies (especially medium-sized and large companies) are not owned by one person, ownership is shared between the holders of shares in that company. Companies issue these shares to accumulate money from investors who invest their money, which the company then uses to grow its business. Listing shares on the stock exchange means increasing the price appreciation through the law of supply and demand in the market, which is why listing that company on the stock exchange also brings a greater degree of credibility, as they can double or even triple their profits. In this way companies can finance themselves very efficiently (O'Neil W., 1988).

When you start investing in the stock market, you will first and foremost need an account with a brokerage firm, then in order to trade, you need a trading account that you open with an intermediary, it must be funded and then you can trade directly through the platform that has been made available to you, but not before you find out about the commissions that the broker charges (Murphy J., 2022).

Once you have decided which companies you want to invest in, you need to create an investment portfolio. The investment portfolio dates back to 1952, the theory of which was developed by Harry Markowitz in an article he wrote, which says that it involves selecting securities that offer a high degree of return for an assumed risk.

The much more current definition says that the investment portfolio is defined as a broad range of financial instruments in which an investor invests his or her capital in order to earn potential returns. In short, it involves diversifying an investment to limit risk without excessively reducing the potential return (McAllen F., 2021).

The main objective of the stock market is to bring a passive income to the investor, it is not recommended to invest if you do not have a stable job and a steady income that allows you to invest consistently over the long or medium term (Schwager J., 1999).

The main players involved in the stock market are:

- Issuers: represent corporations, governments and other entities that issue securities.
- Investors: these can be individuals, companies or investment funds that provide their own capital in order to make a profit.
- Intermediaries: these are those entities which make the purchase of securities possible and which simultaneously make securities available to economic agents.
- Regulators: these are responsible for ensuring and checking that the financial markets operate within the correct parameters. In Romania, for example, the competent institution directly responsible for this is the ASF (Financial Supervisory Authority).

2. Theoretical background

The market is made up of financial instruments and the sellers are corporations, governments, banks issuing securities. As they are very large, they do not manage transactions directly with investors (Collins J.L, 2016). So when you want to invest, you will need a broker who can give you access to the instruments you are interested in. Brokers are normally members of specific associations and are certified, and for brokers working on the capital market, they have an operating licence from the Financial Supervisory Authority (ASF).

The most important aspect of the broker you choose is that he is authorised by the Romanian Financial Supervisory Authority (ASF). The investor can check on the ASF website whether or not the broker is legally compliant (Bogle J., 2007).

Some brokers also offer investment advice, providing partially profitable areas to their clients.Some offer direct management of an investment portfolio, making decisions without reference to the client for whom they are making it. They have an obligation to put the client's interests above others.

The role played by a brokerage company is to provide an investor or potential investors with access to certain financial instruments, in particular listed shares. If a person is interested in investing from their savings in the stock market with the aim of obtaining a higher return than the current bank interest rate, this can be done using the services of a brokerage company. The broker offers its clients an online trading platform through which an investor or group of investors can sell shares listed on the stock exchange. For some novice investors, the brokerage company in some cases offers courses specific to their level of knowledge (Bulkowski T, 2000).

For example, brokerage companies in Romania offer three main types of services:

- trade intermediation, financial investment advice and discreet portfolio management, which can be offered in part or in full depending on the client's request.
- Adjacent services such as advisory services for companies wishing to conduct capital market operations.
- Specialised consultancy aimed at training beginner investors and providing them with a very useful tool, namely the Bet Tradeville ETF, which allows beginners to invest in all 10 companies that make up the BET index, benefiting from its diversity and evolution on the stock market.

BET Index: the benchmark index of the local capital market (Romania), reflecting the evolution of the 19 most traded companies on the regulated market of the Bucharest Stock Exchange, the exclusive financial investment companies. It is also a price index weighted by free float capitalisation, which is the main criterion for selecting companies whose index is liquidity (Lynch P., 1989).

The free float is the shares that can be traded on the stock exchange at any given time, the higher the free float, the larger the secondary market for a company's shares. So it makes it easier to trade a company's shares, which means that company will grow (Nison S., 1991).

3. Research methodology

Technicians (sometimes called chartists) are only interested in price movements in the stock market. Despite all the fancy and exotic tools they use, technical analysis is only meant to study supply and demand in a market in an attempt to determine the future direction or trend. Technical analysts do not attempt to measure the value of a security, but use charts and other tools to identify patterns that may suggest future activity. Just as there are many styles of investing on the fundamental side, there are also many different types of technical traders, some relying on chart patterns and others using oscillating technical indicators, and most using a combination of the two.

The paper analyzes the Romanian capital market, as well as the cryptocurrency market, highlighting its developments and trends in the period after Covid 19. In this paper, statistical data series taken from the platforms used by the firms that are enabled to play on the capital market and that have been archiving in the brokerage field for 30 years uninterrupted were processed.

The research method used is also a descriptiv that performs a global analysis that provides the opportunity to compare global market prices and financial data to identify new opportunities to invest. You can search for your desired stock by region, industry, volatility to market gap and currency it is listed in, it shows you many charts and analysis done on the market about the stock. The search filters give you the ability to select criteria such as: region, asset class, industry and currency in which it is available.

4. Findings

Cryptocurrencies are those decentralised currencies that circulate via the internet that are not created and administered by a single, official or private entity, but have all the functionality of money. The emergence of these currencies is due to blockchain technology, which is a more special branch of decentralised public accounting. This ubiquitous ledger is not located on a central server and is not subject to any administrator's intermediation or verification, storing and constantly updating all transactions and their information to be as accessible as possible from anywhere and at any time to any user. Transactions taking place on a blockchain platform are disintermediated, with the main actors acting as equals on a peer-to-peer basis. Transactions once made cannot be retroactively changed (block) and are recorded as a chain in a continuously growing database that maintains the transaction chains.

The distribution and storage of this ledger on a network, available to any user, decentralised, is a good way of preventing recording errors and possible fraud. Assuming that the information and transactions have a much higher degree of security if they are distributed to the whole community, so that one person or group of people does not have a monopoly or control over the information stored. Information having unlimited access, which means control, thus no justification and loss of information, while decentralisation implies fairness, the correct segmentation of cognitive work. Cryptocurrencies also constitute dematerialised digital units of accounts secured through encryption, to which only the owner of the two keys (public and private) can have access, with which one can access the interior of the decentralised digital system it hosts.

In order to exchange value, participants act as peers without the need for the presence of an intermediary, commercial or central bank. As they are not physical currencies, cryptocurrencies can be split and multiplied, and their circulation can be both full and partial, meaning that both whole units and subdivisions can be held. In conclusion, these computer coins are based solely on the trust that users place in the decentralised system.

Transactions with digital currencies have a high degree of attractiveness because they give the appearance of anonymity. Unlike physical money transactions, with digital currencies a permanent record remains in the decentralised public accounting system, information that can later be retrieved by IT specialists. According to Mervyn King, former governor of the Bank of England, such transactions are pseudonymous rather than anonymous. Officially, cryptocurrencies are not legally recognised as money. Both central and commercial banks say the potential for fraud that cryptocurrencies hide is of great concern, as there is a risk of losing the monopoly on the creation of money-debt and subsequently the degree of control over a society's economy. As the former Governor of the Bank of England Mervyn King has asked himself, he wonders whether we really need physical money to buy things in order to quantify the value of production, labour, resources and wealth, and whether technological innovations could make money, and therefore banks, superfluous, as we rarely use physical money anyway, replacing it with electronic transfers, with banks as intermediaries bearing the costs.

This extension of cryptocurrencies is very much due to the rapid improvement of blockchain theonology where bilateral value transactions have become possible, as a result of which there is no longer any need for a bank to be present. Moreover, from a tax point of view, these transactions cannot be traced, which makes it impossible to collect taxes on the movement of these digitised goods. One of the problems with these digitised currencies is that they do not represent an indicator of current value, contemporaneous with its issue and circulation; on the contrary, it is an estimated, future value. Those who transact in crypto-currencies rely on the confidence that this value will be maintained or even increased in the future.

The mechanism on which blockchain technology works allows us, at least in theory, to intertwine intermediation, which is also very risky because the intermediation is the trade itself. If we were to move to a system of two-way transactions where everyone buys and sells goods, services and assets through the method of fractional wealth transfers, without the intermediation of a merchant or a bank, then neither money nor banks would make sense in their current form. In the event of the disappearance of money as a means of payment, there would still be a need for a stable unit of account (a reference, a unit of measurement, just as we use units of measurement for length, weight, temperature) to determine the price of goods and services.

The steps towards this system of units of value measurement have already been taken, giving rise to virtual wallet technology as an example of this evolution. The content of this virtual wallet is the accumulation and storage of units of account, fractions of one's wealth, instead of actual currency (including digital money). With this virtual wallet it is possible to make payments, but without having to move from one account to another, as we currently use with our bank account and bank card, but by transferring electronic devices (computer, mobile phone, tablet or other devices) that have an internet connection or are effectively linked together directly and in real time, a unit of the buyer's wealth to the seller's card in exchange for a good or product purchased.

These types of payments are extremely popular in China. About 90% of all payments in Chinese commerce (an estimated $14.5 billion a year) are made in this way. The internal source of this non-monetary payment system is the so-called social credit, a system of rating points, adapted to the daily behaviour of a citizen or consumer, with these points can be purchased, subsequently, all goods and services that are necessary for personal or even family consumption.

The behaviour under scrutiny involves both attitudes towards the laws and behaviour of society and the way in which a consumer complies or fails to comply with debts arising from commercial or financial transactions. The type of recalcitrant citizen, with no respect for society, or even a bad debtor will have a much lower rating, tending towards zero depending on the deviant act they have committed against good morals. Conversely, this rating will increase. As a result, this social credit represents the degree of trust or social honour of each individual, in a double guise, that of a citizen who conforms to the laws and social mores, but also as a consumer who is subject to a commercial contract, without which the ordinary citizen may or may not have access to the purchase of consumer goods or services.

5. Conclusions

Buying shares on the capital markets has never been easier. Buying shares from companies is a very useful facility that brings you steady income whether from the stock markets, cryptocurrencies or ETFs. Nowadays many stocks can be bought through traditional channels because US banks recognize their demand in the market.

If we take it in the concept of the pandemic, investing has opened up huge opportunities for amateurs as stock market declines have helped attract funds, as a result, at the end of the pandemic they have enjoyed significant growth with some figures reaching as high as 100%. The main disadvantage of these stock market investments is that an investor can lose money if the equity price falls or depreciates and the stock is sold at a loss. That's why it's a good idea when investing in the stock market to do your research and keep up to date with news about the company. Information is an asset when investing because it provides a degree of security. Investing in the stock market is purely speculative, the market is very unpredictable, even a professional analyst loses out once in a while due to unexpected situations, after all, this is the flow of the market.

The stock market also generates high returns when you have a solid investment base behind you, i.e. you need to have a steady income from another source to be able to maintain this investment flow in case of eventual losses. Stocks are purely speculative, most of the time they can be deduced by thorough technical or fundamental analysis. The market is always going to be volatile no matter what stocks you decide to buy and if you don't know what you're doing when you invest, it's best to first educate yourself on what you're doing.

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