

Why should we keep the stock markets open

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Why stock markets don't close when we are going through a health crisis without precedent

In this moment, when we are confined and companies close their doors, some people may wonder **why stock exchanges don't close**. Confinement feeling is affecting markets. Volatility increases and historic drops happen. In this situation stock markets could close and reopen when emotions were calmed.

According to those, stock markets have lost their price setting capacity. They are no longer doing their function. But the truth is that **the function of stock markets is to give transparency and liquidity**. Price setting is the result of trading. Investors in stock market know that they may earn or lose, but with access to liquidity in case they want to sell, which means to make money for their shares. Stock exchanges ensure liquidity.

Stock markets closing **would deprive of liquidity the ones who need it most now**. Financial aids are promised, but the truth is that, at the end of the month, households may have lost their jobs or self-employed may no longer perceive what was expected while having to meet their commitments. Mortgage or rent payments don't spare, neither wait gas, electricity and phone bills. Stock exchanges need to be open to meet their function of offering liquidity to investors.

Furthermore, stock markets closing would deprive of Net Asset Value investment or pension funds units that channel household savings. Without NAV, redemptions would be blocked. In absence of liquidity caused by stock exchange closing and blocking of units, leaks of deposits may occur, with risk of frozen bank accounts.

Stock markets don't close in times of crisis. They close because of terrorist attacks, fires or natural disasters. They close because of world wars. But **stock markets don't close because of economic crisis, neither because of the pandemics that cause them**. What may justify a closing of markets would be the risk to the health of their employees.

But nowadays stock exchanges are electronic markets, dematerialized trading systems which operate in distance. Social isolation that prevents the virus spread prevails. Hence, **there is no health reasons that may justify stock markets closing**. This is about banning to trade in moments of panic and thus avoid unscrupulous investors to take advantage.

However, stock markets have protection mechanisms for such circumstances. First of all is the [ban of short-selling](#), that is, bets on falling stock values. Securities and Markets Authorities are banning them already.

Other protection is offered by **temporary suspension of trading in stock values that fall** beyond a percentage. These suspensions offer investors a period of reflection for thinking twice before trading in moments of panic. Main protection comes from investors themselves, who decide not to sell when stock prices crash. Investors don't lose their capital because of a one-day-drop in stock markets, but by selling their securities. They can maintain their position and wait until it clears up.

In moments of capsize and bad weather **we cannot turn off the lighthouse that orient us towards harbour**. Stock exchanges act as a thermometer of the economic situation. They orient economic decisions. Let's keep stock markets open.

[Spanish version](#)
