**ASSIGNMENT-2**

In reference to the graph, The MSCI ACWI index was consistently increasing a couple of months before it suddenly started to drop sometime in the beginning of May. This was due to the increase in the tariffs on imported Chinese goods from 10% to 25% by the US government, and as expected the Chinese government retaliated by increasing the tariffs on U.S goods to 25% as well!

Naturally as higher tariffs are imposed on Chinese goods in U.S, companies and consumers of the States would prefer to buy goods from domestic markets. This would lead to a loss for the Chinese companies . As tariffs on US goods increased in China, we can expect a similar fate to the US companies. But how would this effect the international stock market?

As soon as the share holders realise that their company might be at a slight loss due to this situation, they start selling their shares. For example a Chinese company ships a particular product from a US based company for 200 million dollars ,but due to increase in tarrifs,it would cancel its deal with this US company and turn to an Indian company where the tariffs is much lower.this would cause the US company to face a big loss. In this scenario the shareholders of this company would want to sell their shares before the company hits a loss (because then the share value would drop).Similarly, there would be a number of companies getting affected because of the trade war between the two countries. As expected, a large number of shareholders sold their shares at a very rapid pace. Large number of shareholders of various Chinese and US companies sold their shares in a small period of time. Due to which the share values of all these companies dropped and the overall worldwide market index MSCI has seen a drop in just a few days. And hence about 1 trillion dollars have been wiped out in a single day owing to the drop in this index.

Basically, due to trade wars between countries, the overall global market value gets affected in the above discussed manner. Consumers, big or small sell shares as soon as they anticipate a loss to their company. This reduces the value of that company and when many companies go down at the same time, the worldwide stock value goes down.