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Country Responses and the Reaction of the Stock Market to COVID-19—a Preliminary Exposition

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ABSTRACT

As the coronavirus pandemic (COVID-19) has amplified so has country responses to it. With COVID-19 taking its toll on humans, as reflected in the number of people infected by, and deaths from, COVID-19, countries responded by locking down economic activity and peoples movement, imposing travel bans, and implementing stimulus packages to cushion the unprecedented slowdown in economic activity and loss of jobs. This article provides a commentary on how the most active financial indicator – namely, the stock price – reacted in real-time to different stages in COVID-19's evolution. We argue that, as with any unexpected news, markets over-react and as more information becomes available and people understand the ramifications more

broadly the market corrects itself. This is our hypothesis which needs robust empirical verification.

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