



25,972 486

Views

CrossRef citations to date

0

Altmetric

Research Article

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

Dinh Hoang Bach Phan & Paresh Kumar Narayan

Pages 2138-2150 | Published online: 25 Jul 2020

Cite this article <https://doi.org/10.1080/1540496X.2020.1784719>



Sample our
Economics, Finance,
Business & Industry Journals
>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

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.

KEYWORDS:

Notes

1. Some recent papers are Narayan ([2020](#)), Gil-Alana and Monge ([2020](#)), Liu, Wang, and Lee ([2020](#)), Zhang, Hu, and Ji ([2020](#)), Haroon and Rizvi ([2020](#)), Ali, Alam and Rizvi ([2020](#)), Al-Awadhi et al. ([2020](#)), Fu and Shen ([2020](#)), Qin, Zhang, and Su ([2020](#)), and Apergis and Apergis ([2020](#)).

2. Typically, in financial economics, modeling stock returns' response to shocks entails controlling for both market risk and macroeconomic risk factors (see Birz and Lott [2011](#); Fama and French [1993](#), [2012](#)). Given the discussion, we present on the status obtained by COVID-19, primarily the fact that it is considered an unprecedented event, by default implies that when in effect COVID-19 has no competition in terms of risk. In other words, macroeconomic and/or market risks should not matter. Thus, the loss from not accounting for commonly known risk factors of returns is all but trivial and does not influence the story we tell.

3. This paper has three main datasets. First, the daily number of infected cases and deaths for countries are obtained from Our World in Data (<https://ourworldindata.org/>), which is collaboratively organized by University of Oxford researchers and Global Change Data Lab. The data from Our World in Data has been widely used in research, teaching and media by Harvard University, Stanford University, University of Cambridge, University of Oxford, The Wall Street Journal, The New York Times and more. Second, the list of country stock indexes and their daily stock prices are collected from the Datastream database. Finally, the dates of events, namely, WHO pandemic declaration, travel ban, lockdown, and the stimulus package, are collected from various internet sources such as the WHO website, the New York Times, the Washington Post, BBC, CNN, CNBC, and the Guardian.

Related research

People also read

Recommended articles

Cited by
486

Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2025 Informa UK Limited [Privacy policy](#) [Cookies](#) [Terms & conditions](#)

[Accessibility](#)

 Taylor and Francis Group

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG