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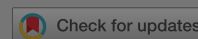
Country Responses and the Reaction of the Stock Market to COVID-19—a Preliminary Exposition

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Pages 2138-2150 | Published online: 25 Jul 2020

 Cite this article

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



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ABSTRACT

As the COVID-19 pandemic spreads globally, countries have implemented various responses to it. With COVID-19, the world has experienced a significant economic activity by, and the stock market has reacted accordingly. This article provides a preliminary exposition on the country responses to it. The article argues that, as with the COVID-19 pandemic, the stock market becomes a barometer for the economic activity. The article also discusses the role of the stock market in correcting the economic activity. The article concludes that the stock market plays a crucial role in the economic activity. The article also discusses the role of the stock market in correcting the economic activity. The article concludes that the stock market plays a crucial role in the economic activity.

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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 [World Bank](#) and [Yahoo Finance](#). Third, the list of countries that have declared a state of emergency from various internet sources, including [The Washington Post](#), [BBC](#), [CNN](#), and [Reuters](#).



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