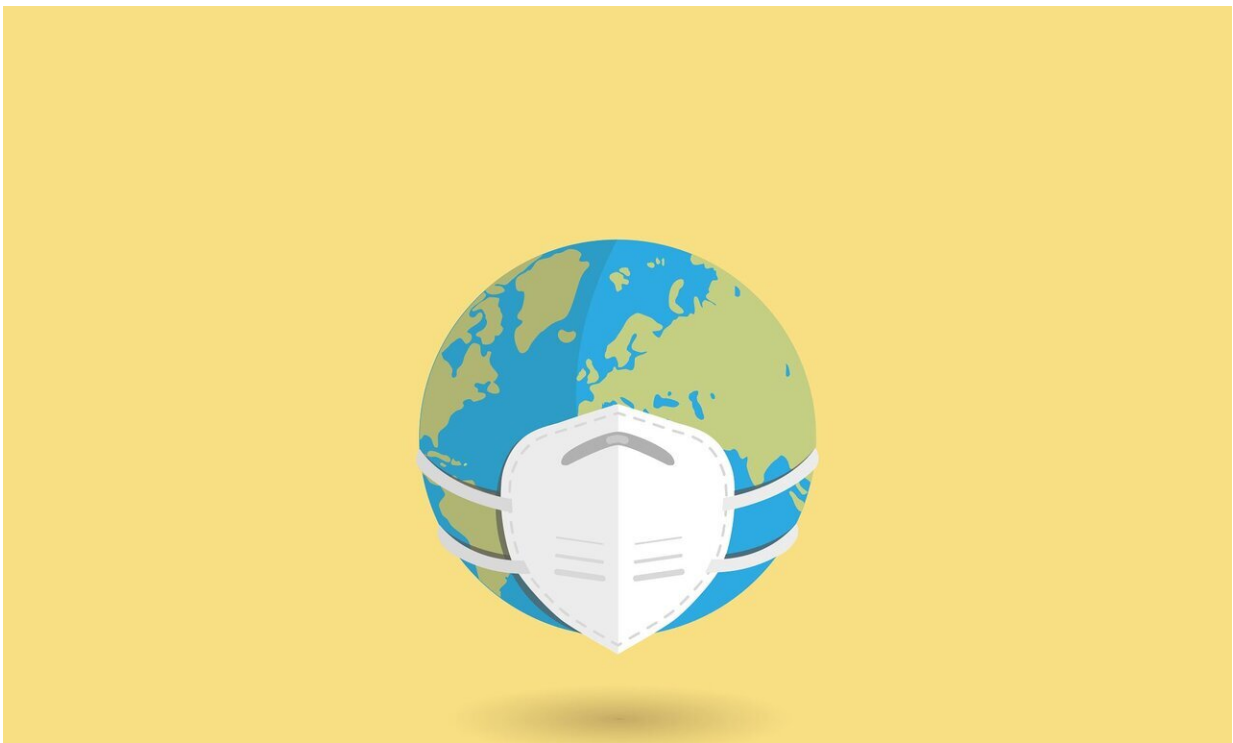


Study suggests that the financial impact of COVID-19 is comparable to the Wall Street Crash of 1929

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A study co-authored by an academic from Queen Mary University of London has shed new light on the true magnitude of the impact of the COVID-19 pandemic on financial markets.

Published in the journal *International Review of Financial Analysis*, the research shows that there is strong transition evidence which points to a [financial crisis](#) in all G7 countries and sectors with the UK and the US the worst hit.

The G7 is an organization made up of the world's seven largest so-called advanced economies: Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

Varied impacts on major sectors

The study found that healthcare and consumer services were most severely affected by the pandemic, a reflection of the COVID-19 drug race and international travel restrictions. The technology sector was hit the latest and the least severely, as imposed lockdown measures forced people to explore various online entertainment and social options.

To capture the impact of COVID-19 and the associated [market](#) reactions, the researchers applied a model, called a smooth transition heterogeneous autoregressive model (ST-HAR). The analysis shows that the financial market response to COVID-19 has been similar to previous [financial crises](#) rather than previous pandemics, and due to the more uncertainty, is comparable to major financial crashes of 1929 and 1987.

Revealing the magnitude of the pandemic on financial markets

Professor Gulnur Muradoglu, Professor of Finance in Queen Mary's School of Business and Management, and co-author of the study said: "Our findings show that there is strong transition evidence to a crisis in all countries and sectors as a result of the COVID-19 pandemic.

"Compared against other epidemic and [pandemic](#) outbreaks such as Ebola, SARS, H1N1, the impact on volatility of COVID-19 is considerably larger. A similar conclusion is reached when comparing against notable terrorist attacks, such as September 11th and the Paris attacks of November 2015. A comparison against other financial crises is more revealing about the true magnitude of the COVID-19 impact on [financial markets](#).

"Compared against the 2008 Global Financial Crisis at the time of the Lehman Brothers collapse, the COVID-19 financial crisis has posed a larger uncertainty. Hence, the impact of the COVID-19 financial [crisis](#) may be directly comparable to the 1929 Great Crash and the 1987 Black Monday event."

More information: Marwan Izzeldin et al. The impact of Covid-19 on G7 stock markets volatility: Evidence from a ST-HAR model, *International Review of Financial Analysis* (2021). [DOI: 10.1016/j.irfa.2021.101671](#)

Provided by Queen Mary, University of London

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