Stock markets in the time of COVID

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Researchers in India have analyzed financial data from the quarter immediately before the first public reports of the emergence of a new potentially lethal coronavirus, now identified as SARS-CoV-2, the cause of COVID-19. They have compared this final quarter of the year 2019 with the first quarter of 2020 as the virus spread around the world and was declared an international pandemic.

Amalendu Bhunia of the Department of Commerce at the University of Kalyani, and Soumya Ganguly of the Department of Commerce at Barrackpore Rastraguru Surendranath College both in West Bengal, India, have looked at the daily time-series data obtained from the "yahoo.finance" database looking at eight stock markets. They used various statistical tools, descriptive statistics, the GARCH model, the EGARCH model, and the TGARCH model to examine financial volatility immediately before and immediately after the recognition of the virus as a major threat to human health. The team provides details of their study in the International Journal of Financial Services Management.

The team found from their descriptive statistics results that Germany and Indian stock prices were the most volatile and those in the UK the least prior to COVID-19. During the initial three months of the COVID-19 period, stock markets in Italy and Spain were more volatile than those of the U.S. and Russia. The data also reveals a leveraging effect alongside volatility that leads to spillover from one stockmarket into another. The work points to how investors might ensure greater resilience in the wake of bad news on a global scale.

More information: Amalendu Bhunia et al. An assessment of volatility and leverage effect before and during the period of Covid-19: a study of selected international stock markets, *International Journal of Financial Services Management* (2020). DOI: 10.1504/IJFSM.2020.110224

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