

# Chapter 13

## The Impact of COVID-19 on Stock Markets: A Comprehensive Literature Review

**Ash Aybars**

*Marmara University, Turkey*

**Mehtap Öner**

*Marmara University, Turkey*

### **ABSTRACT**

*The novel coronavirus, COVID-19, which emerged at the end of 2019 and spread to the world at a very fast pace, resulted in a pandemic affecting the finance industry besides many other industries though at varying extents. Financial markets, which can be regarded as cornerstones of each and every country's economic success, have been adversely influenced due to the fear and uncertainty arising with the emergence of the novel coronavirus at different degrees. This chapter provides a summary of a literature review based on the impact of this pandemic on stock returns and volatility in the stock exchanges of different countries and regions of the world. What has been captured as a result of this literature review is that almost all of the financial markets around the world have been influenced due to the virus. Further, industry-wise empirical studies demonstrate that not all industries are affected at the same level or even in the same direction.*

### **INTRODUCTION**

Firstly encountered as a case of pneumonia with an unknown cause in Wuhan, China, at the end of December 2019, COVID-19 was diagnosed as a new type of coronavirus on January 7, 2020 by the Chinese health authorities. Gradually and quickly, cases and deaths from the novel coronavirus spread to various regions across the world. As of March 11, 2020; COVID-19 was declared as a pandemic by World Health Organization (WHO). The total number of confirmed cases and deaths are reported to be

DOI: 10.4018/978-1-7998-8674-7.ch013

## ***The Impact of COVID-19 on Stock Markets***

more than 200 million and 4.3 million, respectively, in the world as of the beginning of August, 2021 (World Health Organization, 2021).

In order to slow down the pace of the pandemic's contagion, governments apply various precautionary policies and actions. Some of these can be listed as curfews, restrictions in travels and closure of country borders, limitations in everyday socialization, and increase in home-office working conditions in certain industries. Though trying to prevent the spread of the virus, all these actions obviously influence countries' economies as a whole. However, since it has not yet been possible to fully control the pandemic, the social and economic consequences for each and every country are still vague. Furthermore, with the restrictions in social life and possible deteriorations in economies, it is expected that fear and anxiety in the public brought about with the uncertainty caused by the virus is to influence financial markets as well. Even though a limited number of studies have been conducted in literature as the topic is so recent, the available researches reveal evidence that stock markets around the world are negatively affected by the novel coronavirus to different degrees (Ashraf, 2020; Al-Awadhi et al. 2020, and Fernandez-Perez et al. 2021).

An article by McKinsey & Company written by Bradley and Stumpner in 2021 investigates the change in average shareholder returns of the world's biggest 5000 companies with industrial breakdown to reveal the impact of COVID-19. The time span of the study is divided into 4 periods starting with March 23, 2020 and ending with February 19, 2021. All sectors are found to have crashed with the onset of the pandemic due to extreme uncertainty and unlimited downside potential. However, with the stimulus packages and interventions of the governments' hints of recovery are seen in the markets during mid-March. By the beginning of June 2020 some industries such as pharmaceuticals and biotechnology have fully made up for their losses; however, for many industries like travel, banking, and oil and gas the recovery was not seen at all. As time passed, the pace of recovery stayed uneven and the industries widely differed on the basis of their performance with high-performers getting even better. As of October 2020; almost half of the industries recovered and reached their pre-pandemic performances. Lastly, starting with October 2020 till February 2021, with the positive news about vaccines, even the worst affected industries partially recovered their market losses. However, the gap between the top and bottom performing industries widened with an increase from 27 percent points from mid-March 2020 to 80 percentage points as of February 2021. As this study utilizes the biggest 5,000 companies around the world, it provides valuable insight on the impact of the recent pandemic on the stock returns with a focus on industrial breakdown.

This chapter provides a comprehensive summary of the studies focusing on the impact of COVID-19 on financial markets with a specific focus on stock exchanges. Accordingly, the following section is dedicated to the impact of COVID-19 on financial markets with a specific focus on stock markets. The resulting sections summarize the recent literature on the impact of COVID-19 on stock market return and volatility in stock markets. Lastly, the chapter ends with discussions, recommendations, and areas for further research.

## **FINANCIAL MARKETS AND COVID-19**

Financial markets are platforms where suppliers with surplus funds and demanders in need of funds come together to transact. The major players in the financial markets are households, businesses, governments, and foreign participants. Whereas households are regarded to be the principal suppliers, businesses are

11 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:  
[www.igi-global.com/chapter/the-impact-of-covid-19-on-stock-markets/291922](http://www.igi-global.com/chapter/the-impact-of-covid-19-on-stock-markets/291922)

## Related Content

---

### Clinical Role of Antioxidants in the Treatment of Diseases

Kirti Rani (2019). *Nutraceutical and Functional Foods in Disease Prevention* (pp. 392-401).

[www.irma-international.org/chapter/clinical-role-of-antioxidants-in-the-treatment-of-diseases/207985](http://www.irma-international.org/chapter/clinical-role-of-antioxidants-in-the-treatment-of-diseases/207985)

### Telemedicine's Role in Pandemic Response and Control Measures

Sabakun Naher Shetuand Takrima Jannat (2022). *International Journal of Applied Research on Public Health Management* (pp. 1-18).

[www.irma-international.org/article/telemedicines-role-in-pandemic-response-and-control-measures/309410](http://www.irma-international.org/article/telemedicines-role-in-pandemic-response-and-control-measures/309410)

### Spreading Stochastic Models Under Ising/Potts Random Fields: Spreading Diseases

Stelios Zimeras (2022). *Quality of Healthcare in the Aftermath of the COVID-19 Pandemic* (pp. 65-78).

[www.irma-international.org/chapter/spreading-stochastic-models-under-isingpotts-random-fields/292421](http://www.irma-international.org/chapter/spreading-stochastic-models-under-isingpotts-random-fields/292421)

### Health Professionals' Communication Competences as a Light on the Patient Pathway: The Assertiveness, Clarity, and Positivity (ACP) Model

Cristina Vaz de Almeidaand Célia Belim (2021). *International Journal of Applied Research on Public Health Management* (pp. 14-29).

[www.irma-international.org/article/health-professionals-communication-competences-as-a-light-on-the-patient-pathway/267793](http://www.irma-international.org/article/health-professionals-communication-competences-as-a-light-on-the-patient-pathway/267793)

### Mapping Women's World: GIS and the Case of Breast Cancer in the US

Khadijeh Rouzbehaniand Shirin Rouzbehani (2018). *International Journal of Public Health Management and Ethics* (pp. 14-25).

[www.irma-international.org/article/mapping-womens-world/196593](http://www.irma-international.org/article/mapping-womens-world/196593)