

Financial Markets Performance: From COVID-19 Crisis to Hopes of Recovery with the Containment Policies

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Abstract : COVID-19 has hit massively the world economy, financial markets and even societies' livelihood. The infectious disease caused by the most recently discovered coronavirus was claimed responsible for a shrink in the global economy by 4.4% in 2020. Shortly after the first case in Wuhan was identified, a quick surge in the number of confirmed cases in China was evident and a vast spread worldwide is recorded with cases surpassing the 500,000 cases. Irrespective of the disease's trajectory in each country, a call for immediate action and prompt government intervention was needed. Given that there is no one-size-fits-all approach across the world, a number of containment and adoption policies were embraced. It was starting by enforcing complete lockdown like China to even stricter policies targeted containing the spread of the virus, augmenting the efficiency of health systems, and controlling the economic outcomes arising from this crisis. Hence, this paper has three folds; first, it examines the impact of containment policies taken by governments on controlling the number of cases and deaths in the given countries. Second, to assess the ramifications of COVID-19 on financial markets measured by stock returns. Third, to study the impact of containment policies measured by the government response index, the stringency index, the containment health index, and the economic support index on financial markets performance. Using a sample of daily data covering the period 31st of January 2020 to 15th of April 2021 for the 10 most hit countries in wave one by COVID-19 namely; Brazil, India, Turkey, Russia, UK, USA, France, Germany, Spain, and Italy. The aforementioned relationships were tested using Panel VAR Regression. The preliminary results showed that the number of daily deaths had an impact on the stock returns; moreover, the health containment policies and the economic support provided by the governments had a significant effect on lowering the impact of COVID-19 on stock returns.

Keywords : COVID-19, government policies, stock returns, VAR

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