



# IMPACT OF COVID-19 ON SELECTED ASEAN STOCK MARKETS

Mohammed Thamemul Ansari A<sup>1</sup>, Haritha M G<sup>2</sup>, Sirisha D<sup>3</sup>

<sup>1,2,3</sup>Students of Rajalakshmi Engineering College, Chennai

## ABSTRACT

*This research paper analyses the impact of COVID-19 on the ASEAN countries such as Japan, China, Indonesia, India, Malaysia, Vietnam, Thailand, Russia, Singapore, and South Korea, which are developing financial markets. It could be identified from the analysis that each index fell when it occurred, and what is the overall performance of the index throughout the year by implying the change in percentage of the index value. In this, the study concluded that the outbreak of COVID-19 is the major cause of such a crash, where people have no idea of what is going to happen, and that created a huge fear and triggered an uncontrollable selloff. And now, after the corrective measures from the government, the markets around the globe have the clarity to handle such crises and adapt to such situations.*

**KEYWORDS:** ASEAN Countries, COVID-19, Index, Stock Exchange, Volatility

## I. INTRODUCTION

The Stock market is a place where the share of the company are listed and available for trading (buying and selling) in which the company raise money from the capital market and capitalize it to expand & develop the business and earn higher profits where the shareholder are paid divided in return as well as a capital appreciation for their investment i.e. good performance of the company attracts investor and it functions the same all over the world in different exchange names and different participants, but May differ from the policy of the government and the way they are regulated in India by Securities and Exchange Board of India(SEBI).

The stock markets are broadly divided into American markets, European markets, and Asian markets categorized based on geographical location. The USA is said to be American.UK, Germany, France under European & China, Japan, and India under Asia. Since the United States has the world's highest market capitalization of 40,719,661 million US Dollars in 2020, which is the benchmark for all the other stock markets around the world and this influences other stock markets based on its performance.

The unexpected spread of a virus named novel coronavirus (covid-19) has been identified in a place named Wuhan in China, 2019. The sentiments of the global financial market are bearish. Due to the fear & panic, the investors around the globe started closing the position knowing the seriousness of the pandemic and the world started to shut the gate in all the countries as a safety protocol from the spread of the virus and it was already late that the country like the US and other European countries are most affected and death rate increasing day by day, which made all the markets unstable and ended up in the flash crash.

COVID-19's spill over effect has an impact on the global economy. As a result, it caused stock market uncertainty, then an increase in the number of confirmed COVID-19 cases/deaths increases volatility, leaps, and co-jumps and lowers stock returns. If a country's fiscal capacity is better due to low economic risk, the country's stock indices decrease and stock volatility and jumps get reduced during the epidemic. During the COVID-19 pandemic, countries with high political risk faced increased stock volatility and leaps, as well as worse returns.

When all the developed financial markets were trembling to stabilize, this paper examines how developing markets, specifically ASEAN markets reacted to the systematic risk, how drastic was the crash, which market was least affected and most affected.



## II. REVIEW OF LITERATURE

**Dayong Zhang (2020)** has studied the unexpected rise of the pandemic and its impact on financial markets around the world. Investors all over the world have faced a significant loss due to an unpredicted level of risk and also how policy interventions could cause further Uncertainty in global financial markets.

**P K Mishra (2020)** has analysed the unexpected outbreak of covid-19 spread in the year 2020, which turned out as a Global pandemic affecting all the economy across the globe as fear overtook the market. The shock created an imbalance in the demand and supply that generated a downtrend in the economic sector including the finance sector. Thus, the volatility of Asian markets is nothing but the sentiment of investors in a panic situation, other factors like changing oil price and exchange rate cause unexpected downtrend in the Asian stock market.

**Mert Topcu (2020)** has examined the effect of covid-19 on emerging stock markets. It signifies the negative impact on emerging stock markets during the pandemic and its decline by mid-April. The impact of the outbreak is higher in the Asian stock market than in the European market.

**Mohsin Ali (2020)** observed that Covid-19 has affected almost all parts of the world and the financial market too. Initially starting from China to Europe and then to the US caused volatility which led to the decline of the financial market but China stood stable.

**Zekai Senol (2020)** analysed the outbreak of covid-19 has threatened human health as well as risk in financial markets. In a short period, there was a huge decrease in stock markets. Many companies lost their value and prices of stock came down. This study analyses the impact of covid-19 on global markets. It detects the long-term relationship between covid-19 and stock markets.

**Ibrahim N Khatatbeh (2020)** has studied the outbreak of covid-19 has significantly affected the returns negatively also to countries' economies and global financial markets. This study analyses the behaviour of stock market indices to covid-19 using daily data series of stock price indices and concerns policymakers and other stock market stakeholders.

**Matthew S Yiu (2021)** examined the impact of the outbreak of covid-19 on the ASEAN 5 stock market. The stock returns were badly affected before the availability of vaccines. The intensity of the pandemic situation started to decline after the implementation of vaccinations. The impact on ASEAN 5 stock market was smaller than the global financial crisis. It recommends that exchange rate and local monetary policies could reduce negative impacts on regional stock markets.

**Ibrahim A Onur (2021)** analysed the outbreak of covid-19 has affected the stock markets globally which caused investors great uncertainty as, in the third week of February 2020, stock markets incurred a loss of trillions of US dollars in a single week. This paper studies the Asian stock market's reaction to the covid-19 pandemic and makes use of daily price indexes.

**Mieszko Mazur (2021)** observed the performance of the US stock market during the covid-19 pandemic. Food, software stocks, natural gas obtained high returns whereas petroleum, hospitality sectors declined. Revenue collapse during the outbreak of covid-19 made the firms react differently.

## III RESEARCH METHODOLOGY

The main objective of the study is to identify the impact of the spread of a novel coronavirus named COVID-19 on the stock markets in selected ASEAN countries. This study has considered the following 10 countries viz., Japan, Indonesia, Malaysia, Vietnam, India, Thailand, Russia, China, Singapore, South Korea. The study is based on secondary data of each month's closing value of selected 10 countries' stock market index from January 2020 to December 2020.

**Change in percentage of index value**

$$\frac{\text{Present Month Index value} - \text{Previous Month index value}}{\text{Previous Month index value}} \times 100$$

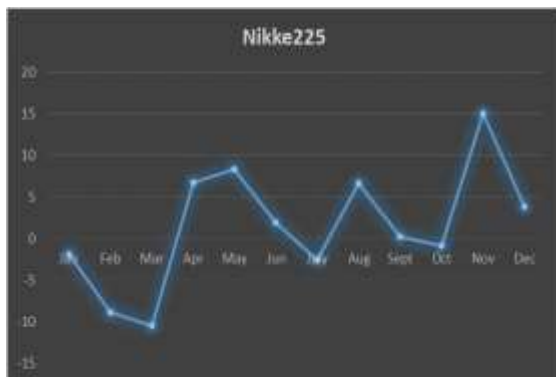
**IV. DATA ANALYSIS AND DISCUSSION**

The Index of different countries is nothing but the indicator of the price movement of stock of the various companies which reflects on a single index. For example, Nifty 50 is an indication of the performance of 50 company stocks in India which are high liquidity, high volume stocks that are traded mostly daily likewise there are certain criteria in each country. The below table consists of the selected 10 ASEAN stock market indexes with their percentage change.

**Table 1- Monthly Stock Index Returns of Selected Stock Markets located in the ASEAN Region**

Month	Nikke225	IDX	FBMKLCI	VNINDEX	NIFTY50	SET100	IMOEX	SSE	SG30SGD	KOSPI
Jan	-1.91	-5.71	-3.66	-2.54	-1.7	-4.98	0.99	26.12	-3.56	-3.58
Feb	-8.89	-8.2	-3.14	-5.81	-6.36	-11.52	-9.46	-15.27	-3.7	-6.52
Mar	-10.53	-16.76	-8.89	-24.9	-23.25	-16.28	-9.92	-2.78	-18.07	-11.42
Apr	6.75	3.91	4.21	16.09	14.68	16.05	5.65	-2.73	6.01	10.99
May	8.34	0.79	4.65	12.4	-2.84	3.2	3.18	0.43	-2.79	4.21
Jun	1.87	3.19	1.88	-4.55	7.53	-0.79	0.31	-8.01	2.02	3.88
July	-2.59	4.98	6.85	-3.24	7.49	-1.88	6.14	1.02	-2.55	6.69
Aug	6.59	1.73	-4.9	10.43	2.84	-1.75	1.88	-5.25	0.02	3.41
Sept	0.2	-7.03	-1.34	2.67	-1.23	-7.19	-2.04	3.53	-1.73	0.07
Oct	-0.9	5.3	-2.58	2.24	3.51	-3.99	-7.41	-7.75	-3.08	-2.61
Nov	15.04	9.44	6.59	8.39	11.39	20.56	15.5	-0.56	15.3	14.3
Dec	3.82	6.53	4.13	10.05	7.81	0.41	5.84	-3.64	1.52	10.89

**Fig-1: Monthly Market Returns of Japan**



Nikkei 225, The Japanese index fell by 21.33 % from January to March and less downfall in July and October as the total 31 of 33 sector sub-indexes on the Tokyo exchange didn't perform well.

**Fig-2: Monthly Market Returns of Indonesia**

IDX Composite, The Indonesia stock index fell sharply by 30.67% from January and followed a bear market till the end of March and also in September as compared to other markets.

**Fig-3: Monthly Market Returns of Malaysia**

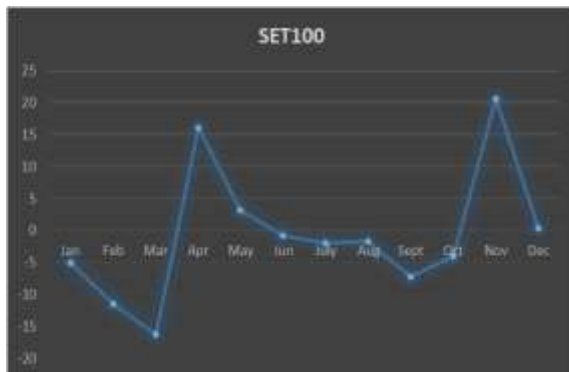
The FBMKLCI, Malaysia's stock index dipped about 15.69% from January to March and again fell from August to October during the covid-19 pandemic.

**Fig-4: Monthly Market Returns of Vietnam**

The VN INDEX of Vietnam stock exchange has affected less in January and has seriously fallen to the lower circuit of 33.25% in the end of March which is comparatively more of any other ASEAN country and also went down during June and July.

**Fig-5: Monthly Market Returns of India**

The NIFTY50 of the Indian National Stock Exchange index comprises 50 companies of 13 sectors. Even though the impact of the pandemic hasn't affected much at the beginning of January but has fallen higher than any other ASEAN country after Vietnam with a downfall of 31.3% at the end of March and a slight fall in May and September.

**Fig-6: Monthly Market Returns of Thailand**

The SET100 of the Thailand stock exchange has fallen drastically at the end of March from January by 32.78%, almost closer to VN INDEX and NIFTY50, and was in a continuous decline in the market from June to October.

**Fig-7: Monthly Market Returns of Russia**

The IMOEX of Moscow exchange indices of Russian has not faced any impact in January but has fallen 18.39% in the next two consecutive months and also in September and October.

**Fig-8: Monthly Market Returns of China**

The SSE of China stock exchange where the spread of COVID-19 started from a place called Wuhan in China. Even though the first case was recorded in December, it was quite surprising that the market was performing very well in January than any other countries index and was up by 26.12% and fell by 18.05% at the end of March which is still positive at the net percentage and the market position was no stable throughout the year.

**Fig-9: Monthly Market Returns of Singapore**

The SGX30SGD of Singapore had fallen 25.33% at the end of March and after recovery, the market has been consolidated from May to October and again a sharp recovery in November.

**Fig-10: Monthly Market Returns of South Korea**

The KOSPI of the South Korean stock exchange has fallen 21.52% which is just like the downfall of Nikkei 225 as the neighbouring country has shared the same market sentiments and also a slight decline in October.

In this analysis, it could be observed how the global sentiments have affected the markets all over the world. The fall of all the stock markets has started from the beginning of January and lasted till the end of March. Overall, the Chinese market (SSE) was the least affected compared to all other ASEAN countries despite the spread starting from Wuhan, China. The markets were bullish in January when other countries started their bear run. The SSE was the only index that was less affected and performed well compared to the other stock indexes from January to March with 8.07%. Despite this, SSE was down by 14.89% during the entire year.

During the COVID-19 pandemic, all the stock indexes witnessed a downturn, and KOSPI INDEX was not an exception to it. Despite this, the South Korean Index outperformed well and yielded a return of 30.31% which was a bullish market throughout the year. The stock markets around the world stay bullish in terms of the long run,



whichever circumstances creating the crash, are all because of the temporary situations & decisions in the markets that are not going to last forever. From the investor's perspective, buying when the markets are in dip will always create wealth in the long run. Fear is human psychology where no one has control over it and when it comes to losing money, which is the main reason for all the volatility in the market.

## V CONCLUSION

COVID19 has shattered the financial market's backbone. COVID19 has a significant impact on every industry. This influence, however, is not symmetric across all markets. It has had an impact on both the demand and supply chains. As a result of the government's lockdown strategy, factories have cut their labour force as well as output levels, disrupting the supply chain. People limit their consumption patterns as a result of the uncertainty that exists among mankind, resulting in demand-side shock. During the COVID19 era, it displayed a downward trend up to the first lockdown period, which is the end of March, but after that, it gradually began to rise again. To stimulate the stock market, the government must create and implement adequate liquidity injection measures, as well as policy measures. The highest authority must provide financial aid to the destroyed required sectors.

## REFERENCES

- 1) <https://www.sciencedirect.com/science/article/pii/S1544612320304050>
- 2) <https://www.sciencedirect.com/science/article/pii/S1544612320304050>
- 3) [https://www.researchgate.net/publication/352045491\\_The\\_impact\\_of\\_COVID19\\_pandemic\\_shock\\_on\\_major\\_Asian\\_stock\\_markets\\_evidence\\_of\\_decoupling\\_effects](https://www.researchgate.net/publication/352045491_The_impact_of_COVID19_pandemic_shock_on_major_Asian_stock_markets_evidence_of_decoupling_effects)
- 4) <https://www.sciencedirect.com/science/article/pii/S1544612320306966>
- 5) <https://www.tandfonline.com/doi/abs/10.1080/13547860.2021.1947550>
- 6) <https://dergipark.org.tr/en/pub/asead/issue/54055/721871>
- 7) <https://www.sciencedirect.com/science/article/pii/S2214635020301350>
- 8) <https://www.sciencedirect.com/science/article/pii/S1544612320306668>
- 9) [https://www.researchgate.net/profile/Mohammed-Alfoul/publication/344906860\\_The\\_Impact\\_of\\_COVID-19\\_Pandemic\\_on\\_Global\\_Stock\\_Markets\\_An\\_Event\\_Study/links/5f98a720299bf1b53e4b8954/The-Impact-of-COVID-19-Pandemic-on-Global-Stock-Markets-An-Event-Study.pdf](https://www.researchgate.net/profile/Mohammed-Alfoul/publication/344906860_The_Impact_of_COVID-19_Pandemic_on_Global_Stock_Markets_An_Event_Study/links/5f98a720299bf1b53e4b8954/The-Impact-of-COVID-19-Pandemic-on-Global-Stock-Markets-An-Event-Study.pdf)
- 10) <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7995228/>
- 11) <https://in.tradingview.com/>
- 12) <https://www.investing.com/>
- 13) [https://en.wikipedia.org/wiki/Main\\_Page](https://en.wikipedia.org/wiki/Main_Page)
- 14) <https://www.google.co.in/>