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IMPACT OF COVID-19 ON SHARE PRICE VOLATILITY: A LITERATURE STUDY

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Abstract
The COVID-19 pandemic has had a huge impact on economies around the world, especially on the volatility of stock prices. This study aims to examine the literature related to changes in the stock market during the COVID-19 pandemic, and to synthesize the insights that have emerged from a large number of studies. The results of the study conclude a number of factors due to COVID-19 that cause stock price volatility.

Keywords: *Stocks, the impact of COVID-19, volitality, JCI*

PRELIMINARY

Throughout 2020, it will be difficult times for people around the world. The spread of this pathogen for pneumonia was identified as a new virus initially called the 2019 novel corona virus (2019- nCoV) but later officially named severe acute respiratory syndrome coronavirus2 (SARS-CoV-2) by WHO, hereinafter referred to as The Coronavirus Disease or COVID-19(Zheng, Ma, Zhang, & Xie, 2020; Zhou et al., 2020). The COVID-19 pandemic has affected all segments of the population, especially vulnerable groups such as the old, the weak, the disabled, and the marginalized and poverty-stricken (Donthu & Gustafsson, 2020; Verma & Gustafsson, 2020). Facing this pandemic, several policies have been carried out by several countries, such as lockdowns or social restrictions, social distancing or maintaining distance from other people, even quarantining residents or completely closing social activities. These policies certainly have an impact on the economy, especially for businesses engaged in entertainment and tourism, which have to completely shut down their business activities during this pandemic.

Business slumps are happening everywhere, according to the World Trade Organization (WTO), world trade has experienced a downturn in 2019, and then the COVID-19 pandemic triggered the global financial crisis(Verma & Gustafsson, 2020). Preliminary estimates suggest that major economies will lose around 2.4 to 3.0 percent of their gross domestic product (GDP) during 2020 due to the COVID-19 pandemic.(WTO, 2020). This is a challenge for various business people around the world to keep their financial wheels in motion, given the reduced income and high levels of uncertainty. Therefore, it is very important for businesses to carry out a proper assessment and analysis of the feasibility of their business model(Donthu & Gustafsson, 2020).

Even though there has been a decline in various business sectors due to the COVID-19 pandemic, not all industries have experienced losses, there are even some industries that have experienced increased profits during the pandemic period. Therefore, it is an open question why when one business industry

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experienced a decline and a negative impact due to COVID-19, while other business industries experienced an increase during the pandemic.

The purpose of this article is to examine the literature related to changes in the stock market during the COVID-19 pandemic, and to synthesize the insights that have emerged from a large number of studies. This article is expected to provide an overview of the impact of the COVID-19 pandemic on stock price volatility so that it can help business people implement better business practices during the COVID-19 pandemic.

RESEARCH METHODS

This research method uses descriptive qualitative methods in the form of literature studies related to the impact of COVID-19 on stock price volatility. In this study, researchers used the documentation method where the researcher took various reference sources that support this research.

RESULTS AND DISCUSSION

Stock Market Reaction

The COVID-19 pandemic is an outbreak of an infectious disease that has severely impacted the stock market, even findings Baker et al. (2020) stated that no previous outbreak could affect the stock market as strongly as the COVID-19 pandemic, not even the Spanish Flu which at its time was the most powerful and deadly outbreak. Baker et al. (2020)He further stated that there was a surge in the stock market in the United States (US) in the period from February 24 to March 24 2020, during 22 trading days and 18 market surges, more than any other period in history with the same number of trading periods. The movement of the stock market does not mean that it is completely negative or that it continues to decline, but occurs in two directions. As described by(Baker et al., 2020) The 500 share price index fell 33 percent from February 21 to its lowest on March 23, then climbed back to 30 percent from its lowest point during the last trading period in April, the end of the sample period.

Stock price movements due to the COVID-19 pandemic also occurred in Indonesia, after the confirmation of the first COVID-19 case by President Joko Widodo on March 2, the Composite Stock Price Index (IHSG) closed at the level of 5,361 or 1.67 percent.(National & Indonesia, 2020). Furthermore, on March 12, after WHO confirmed the COVID-19 virus was a pandemic, the JCI fell by 4.2 percent to 4,937, which has never happened in nearly the last four years. Based on these results, we can suggest that the surge that occurred in the stock market, both negative and positive, was a reaction to news about COVID-19 and a policy response as a driver of the stock market.

Stock Price Volatility

As we know, the spread of the COVID-19 outbreak has caused a very strong reaction in the stock market, such as the volatility of stock prices. Research byBaek, Mohanty, and Glambosky (2020) summarizes the total pre-COVID and post-COVID-19 volatility risks for various industries in the US and noted that the shift or volatility of share prices due to COVID-19 was highest in the petroleum and natural gas industry (increased by 3.92) and the restaurant, hotel and lodging industry (increased by 2.42), while industrial food production (increased by 0.70) and industry beer and liquor (up 0.71) have a smaller risk.

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The volatility of share prices during the COVID-19 pandemic is on both sides, increasing and decreasing. Study fromMazur, Dang, and Vega (2020)support the finding that the petroleum and natural gas industry experienced an increase in share prices, this increase was due to the drastic drop in crude oil prices in March 2020, so that crude oil producers decided to reduce oil production and therefore they automatically reduce natural gas production. This certainly has a positive impact on the market price of natural gas and increases the future cash flows that investors expect from natural gas producers.

Furthermore, industries that experienced positive stock price volatility during the COVID-19 pandemic were the medical, pharmaceutical, and health care industries because almost every country was experiencing an increase in mortality and a decline in population health due to the virus. Another industry that saw an increase during the pandemic is the distribution of food and foodstuffs which are currently benefiting from increased demand. The software and technology sector has also improved quite well(Mazur et al., 2020). On the other hand, industries such as restaurants, hotels, lodging, tourism, entertainment, and transportation have a high risk related to stock price volatility due to the COVID-10 pandemic because these types of industries are social, while during the pandemic the community reduces social activities, especially some government policies. implementing lockdowns or asking people to stay at home to prevent the spread of the COVID-19 virus(Alfaro, Chari, Greenland, & Schott, 2020).

Factors Influencing Stock Price Volatility During the COVID-19 Pandemic

There are several factors that cause stock price volatility which the authors conclude after looking at some of the previous literatures. These factors are as follows:

1. *Lockdown* (Restrictions on Social Activities)

   During the COVID-19 pandemic, governments in various countries have made several policies to prevent the spread of the virus. These policies, such as limiting social activities, education not being held face-to-face, work from home or working from home for office workers, including closing tourist attractions, cafes, restaurants and other social places. This policy certainly has an impact on stock price volatility, especially in the tourism, transportation, hotel, restaurant and non-food trade industries.

   On the other hand, the social restriction policy also had a positive impact on the telecommunications industry, food distribution and delivery service industries.

2. *Panic Buying*, *Panic Selling*

   In the early days of the COVID-19 pandemic, people flocked to shop before the lockdown or quarantine period. Mazur et al. (2020)stated that companies in the food industry (for example, United Natural Foods) and chemicals (for example, Kraton) experienced significant price increases of 20% in one day. This is because people panic in facing the quarantine period so they tend to overdo their shopping.

   Another factor that most influenced stock price volatility during the COVID-19 pandemic was panic selling in the capital market. At the beginning of the

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confirmation of the positive case of COVID-19 in Indonesia, several investors in the capital market experienced panic selling. Panic selling is a condition when investors panic and are anxious about the drastic drop in share prices during the pandemic, so they immediately sell their shares without consideration. This of course can trigger stock price volatility and a collapse in the capital market.

3. Increased Mortality Rate

It is undeniable that the COVID-19 pandemic is a dangerous and deadly epidemic. Indeed, some industries such as medical services and pharmaceuticals are experiencing an increase, but on the downside, the COVID-19 pandemic is causing an increase in the number of deaths. In Indonesia, the number of confirmed positive Covid-19 people is 421,731 people (Kompas, 2020), especially Indonesia is included in the list of countries that may not be visited by several countries during the Covid-19 pandemic. This certainly affects investors in the capital market, investors will be reluctant to invest given the business slump that has occurred due to the many positive cases of Covid-19.

Government Policies during the COVID-19 Pandemic

Several policies have been made to tackle the economic downturn and prevent a recession. Indonesia implements a new normal or new normal policy that allows its citizens to carry out social activities with various health protocols such as wearing masks and maintaining distance from one another.

The new normal policy is enough to provide fresh air to the capital market. According toRifa'i, Junaidi, and Sari (2020), this policy strengthened the JCI in the capital market, an increase of 1.98 percent during the period 2 -5 June 2020 where this level was the highest level since April 7. The strengthening of the JCI occurred for 5 consecutive days and recorded the longest rally since October 2019.

Such policies have begun to offset the negative impact of Covid-19 on the stock market (Topcu & Gulal, 2020). Prescribed policies to slow the spread of the virus may work in the short term by stopping investor panic(Zhang, Hu, & Ji, 2020).

CONCLUSION

The Covid-19 pandemic is causing a worldwide de rolling, given reduced revenues and high levels of uncertainty.

The impact of covid-19 on business is the occurr pharmaceuticals. On the other hand, stock price volatility that leads to the negative side is the restaurant, entertainment, and tourism industries. The results of the study conclude that the impact of covid-19 is a factor in the volatility of stock prices. This research is expected to add insight for academics and business people in order to carry out better business practices during the Covid-19 pandemic.

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