UNIVERSITI TEKNOLOGI MARA

AN EMPIRICAL STUDY OF COVID-19, CRYPTOCURRENCIES, GOLD, OIL AND STOCK MARKET

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ABSTRACT

This study was conducted to analyse the best opportunity for the investors or fund managers to invest during the pandemic Covid-19. This research aims to study how the Coronavirus spreads affect several investment instruments such as cryptocurrencies, gold, oil and stock market that is FBMKLCI index. In this research, the hypothesis that was applied is to see if pandemic Covid-19 influence the price of several financial instruments. Furthermore, the variables used in this research are the Bitcoin price, gold price, oil price, and FBMKLCI for the dependent variable. Meanwhile, the independent variable will be daily cases, total cases, daily death and total death. Next, the findings of this research will underline the significant role of the independent variables affecting the investment instruments during the pandemic Covid-19. Due to the pandemic Covid-19, most of the investment instruments become more volatile than before. In addition, this study shows that unexpected sentiments or economic shock will affect the price of investment instruments either positively or negatively. The research result of this analysis showed that Bitcoin price, oil price and FBMKLCI were highly affected by the spread of Coronavirus that is daily cases, total cases, daily death and total death. Meanwhile, gold price was only affected on the total cases, daily death and total death.

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INTRODUCTION

1.1 INTRODUCTION

Based on history, an economic shock will likely impact and causing the global economy to suffer and experience significant losses, such as the financial crisis during 2008 called Black Swan and the bankruptcy of Lehman Brothers. An economic crisis has a detrimental impact on investment which could offer an excellent opportunity for asset growth. Meanwhile, the unexpected existence of the ongoing crises necessitates confronting the investor several times. Last year, in March 2020, the World Health Organization (WHO) had announced a global pandemic due to the Coronavirus (Covid-19) that causing havoc globally.

In late 2019, the Coronavirus (Covid-19) first appeared in Wuhan, China, where it had quickly spread to become a global pandemic in just a few months that causing havoc all over the world. Starting from March 2020, about 4.3 million confirmed cases and over 290,000 deaths had been recorded worldwide due to the Covid-19 pandemic. It has also fuelled concerns over an imminent fiscal downturn and recession. The Covid-19 has inflicted immense disruption and expected to affect the long-term consequences to our global economy. As a result, we can see that conventional capital markets react adversely to the virus's news, where all of the stock prices are start falling (Jabotinsky & Sarel, 2020).

Furthermore, based on the previous history, it shows that in periods of recession, the prices of investment asset fall or level off, while the other assets increase. Amid this surge of volatility, it shows that buyers tend to keep capital on hand in order to deal with any unexpected uncertainties or extreme worsening in the current conditions. Typically, in times of recession, financial plans will take advantage of the rule that currency or cash is held. Thus, during these tough economic times, most investors probably use property to leverage their investment opportunities with a positive return till the end of the recession.

Moreover, during the announcement of the pandemic Covid-19 in March 2020, some markets are adversely impacted, such as the price of oil had dropped to the lowest in history due to the lockdown or movement control order by most of the countries in the world. Besides that, the stock market is also adversely impacted due to Covid-19, where all stock changes from a bullish trend to a bearish trend. Meanwhile, some market that experiences substantial success, such as cryptocurrencies, where Bitcoin had managed to reach the highest in history and the