UNIVERSITI TEKNOLOGI MARA

ANALYSIS OF US, CHINA AND MALAYSIA STOCK MARKET INDEX REACTION DURING THE COVID-19 PANDEMIC

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ABSTRACT

The presence of this virus was reported by the World Health Organization (WHO) on December 31, 2019. Moving further, the virus was claimed to have spread to additional cities and nations on January 21, 2020. It has affected the global financial market such as the United States, China and Malaysia. This study was to analyse the stock market index performance namely Standard and Poor's 500 (S&P500), Shanghai Composite Index (SSE) and Kuala Lumpur Composite Index (KLCI) during the virus outbreak COVID-19. The dependent variables used were the stock market indices (S&P500, SSE, KLCI). The independent variables were the Brent Oil Price, the Chicago Board of Exchange (CBOE) Volatility Index and the number of daily COVID-19 cases. The sample observation period consisted of 600 days which was 300 days before the event date where the first case started in the countries (US, China, Malaysia) and 300 days during the pandemic COVID-19. The findings showed that the stock indices were more volatile when the pandemic happened due to the investors' market sentiment. The results also showed that the independent variables Brent Oil tended to affect the stock indices during the COVID-19. Whereas for the other independent variables CBOE volatility index and number of daily COVID-19 cases, only S&P500 had a positive relationship with the daily COVID-19 cases and the volatility index (CBOE VIX) tended not to affect the stock market. The results of this research can help market participants or other researchers to analyse the stock market indices during the COVID-19.

ACKNOWLEDGEMENT

بِسْمِ اللهِ الرَّحْمَنِ الرَّحِيمِ

As time goes by, it has finally reached the end of the journey before going to another phase of my life. These three years were such a long, yet felt so short journey. The bumpy roads I had to go through to get this, it wasn't easy. But nothing that is worth having comes easy. Reminiscing back, some things never change, but other things have changed so radically. I felt as though I was in a movie.

To have entered my final year of degree in a state of confusion, anxiety, left in heap of emotions, at some point I've been in the verge of giving up countless times. It was a pretty rough time, I was struggling to juggle in between things. In between the secrets that I've been dying to keep inside. It went worse in this unprecedented situation where I was caught in places where I relapsed.

2021, a year of reflection. A year where Allah s.w.t have blessed me to take time to slow down and reflect. A year that I decided to do a major self-reflection, especially on relationship aspect. Relationship with my Almighty, with myself, with my family, friends, acquaintances, strangers and nature.

Sometimes, when Allah wants you to hear some words, He brings them to you through the tongue of someone else in the form of advice, ridicule, blame, or even by accident. I believe that whatever happened wasn't a random incident, but has its own intention behind it.

And whether I like it or not, although as much as I wish everything is as sweet as nectar, sometimes the bitter ones are most probably the best medicine for me. It was something that I don't desire, but desperately in need of. The past three years have been nothing but a blessing, where I get to learn and unlearn.

Today, my highest gratitude goes to the ones that have been staying with me through my highs and lows. My parents, friends, classmates, lecturers, advisors, panels, acquaintances or even strangers. I wouldn't be able to make it finish this without their support. As long as my memory and cognitive function are still intact, they will forever be in my prayers, InshaAllah.

The journey is still far lying ahead, the ending of something, is the beginning of something else. May I become the woman I am destined to be, the one that brings good to the world, especially the people around her. And I will always hold this in my heart,

"Sometimes kita berjaya bukan sebab kita hebat, tapi sebab dorongan dan doa dari orang orang sekeliling kita"
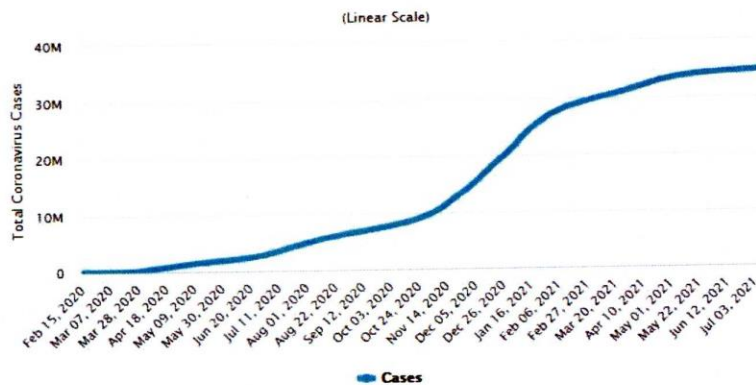
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INTRODUCTION

1.1   Introduction

Most of the world has been greatly affected by the unprecedented event Coronavirus Disease (COVID-19). Who would have thought that the first case started in the city of Wuhan, China in the late of December 2019 would collapse almost the world? COVID-19 ranked 6th on the list of pandemics in the 21st century, after Influenza H1N1 and Ebolavirus. H1N1 was known as the deadliest, where it led to between 151,700 and 575,400 fatalities worldwide (Centres for Disease Control and Prevention, 2019). However, on 31st December 2019, the World Health Organization (WHO) has announced the existence of this virus. Moving ahead, on 21st January 2020 it was reported that the virus has spread to other cities and it went wilder to other countries. As of 30 June 2021, according to the World Health Organization (2021), there were a total average of 373,925 daily cases and 8,819 daily deaths worldwide. Moreover, this virus outbreak has infected 189,692,150 lives with 173,124,710 recovered while killing 4,082,495 lives. This unprecedented accident has made the world changed radically.

Figure 1: Total COVID-19 Cases in United States

Source: Worldometer (2021)