



UNIVERSITI TEKNOLOGI MARA

**THE IMPACTS OF COVID-19
LOCKDOWN ON TECHNOLOGY
SECTOR IN MALAYSIAN STOCK
MARKET**

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ABSTRACT

This paper study on the examination whether there is any significant difference and impact of MCO lockdown announcement due to COVID-19 to technology sector in Bursa Malaysia. The three main concerns to be focused in this study is the abnormal return, cumulative abnormal return and average cumulative abnormal return by using the daily stock return as its independent variables. This study used event study method to analyse the differences between each independent variables to the dependent variables which is daily stock return of each technology companies. A total of 79 companies were taken as sample of this research with a period of data from 5 February 2020 to 29 April 2020 which is 30 days before and after the MCO announcement. The contribution of the study is for the interest of the investor that will help them to analyse the current conditions of technology sector due to COVID-19 MCO lockdown in order for investment purposes. In addition, analysts will be benefited from this study by collecting data needed in a more systematic way. It also helps them to predict the future performance of technology sector and preparations needed to face unexpected event in the future. Findings of this study states that most technology companies in Ace Market are affected by the MCO announcement due to its company size which is small technology companies and cannot survive because of this pandemic.

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TABLE OF CONTENT

	Page
CONFIRMATION BY PANEL OF EXAMINERS	ii
AUTHOR'S DECLARATION	iv
ABSTRACT	v
ACKNOWLEDGEMENT	vi
TABLE OF CONTENT	vii
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF SYMBOLS	xi
CHAPTER ONE INTRODUCTION	1
1.1 Introduction	1
1.2 Overview/ Background of Study.....	2
1.3 Problem Statement	2
1.4 Research Objectives	3
1.5 Research Questions	3
1.6 Significance of Study	3
1.7 Scope of Study	4
1.8 Limitation of Study	4
1.9 Definition of Key Terms	4
1.10 Summary	5
CHAPTER TWO LITERATURE REVIEW	6
2.1 Introduction	6
2.2 COVID-19 & Stock Market.....	6
2.3 Technology Sector Performance	6
2.4 Event Study Methodology	7
2.5 Theoretical Framework	8
2.6 Summary	8

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The Covid-19 pandemic is a 'black swan' event because it was a very unusual event with substantial negative economic consequences. Taleb (2005) described a black swan as a random occurrence with three characteristics: enormous impact, incomputable probability, and surprise effect. There is a substantial relationship between stock market returns and pandemic outbreaks, according to the literature (Park et al., 2008; Pendell and Cho, 2013; Chen et al., 2009; Chen et al., 2007; Ichev and Marin, 2018; Bash, 2020; AlAli, 2020).

COVID-19 has spread around the world since the first case was confirmed at the end of 2019, resulting in over 124 million confirmed cases (Worldometer, 2021). On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak to be a pandemic. The COVID-19 pandemic has also had an impact on the worldwide stock market, including Malaysia.

AlAli (2020) investigated the impact of the first reported case on stock markets in 11 countries and determined that the impact of the WHO statement was considerably higher than the impact of the first reported case. Baig et al. (2020) analyze the impact of COVID-19 on the equities markets in the United States (US) and discover that the implementation of COVID-19 has increased market illiquidity and volatility. Zhang et al. (2020) shown that both financial and following the emergence of COVID-19, market risk and uncertainty rose.

The COVID-19 pandemic has discovered how often the world depends on technology and how it has become integrated into almost every aspect of the economy and life. Technology is being used to maintain "business as usual," to replace normal social interactions, and to be mobilized for good in the fight against the COVID-19 pandemic. Despite this, the argument over the economic effect of technology firms is much more complicated.

Technology is at the forefront of industries undergoing dynamic change as a result of the COVID-19 pandemic. It delivers risks and opportunities that are specific to each business in the industry. According to Franklin Templeton Investments, the technology industry would see "powerful acceleration" in both sales and profits. The Covid-19 [pandemic] has accelerated the potential in this environment, and we expect that as a result of this current challenge, we will see an acceleration in technological investment. The technology sector has "very high profitability," since it is the third-most productive sector in the S&P 500 in terms of earnings before interest, tax, depreciation, and amortization margins, and it is also one of the only S&P 500 sectors that is net cash positive.