

The Impact of COVID-19 Pandemic on the Financial Contagion among Turkey, US, and China Stock Markets

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<p>Keywords: Covid-19 Dynamic conditional correlation Search-based attention</p> <p>Received 22 May 2020 Revised 5 September 2020 Accepted 15 September 2020</p> <p>Article Classification: Research Article</p>	<p>Purpose – The aim of this study is to empirically examine the impact of COVID-19 on the dynamic correlation among the stock markets of Turkey, the United States, and China, and demonstrate the effects of search-based investor attention and newspaper-based infectious disease equity market volatility on the correlation among these markets.</p> <p>Design/methodology/approach – In this study, VAR(1)-DCC-GARCH(1,1) methodology is employed to examine the changes in the variances and dynamic correlations among markets after the outbreak of Covid-19. Then, least square regression analyses are done to examine the influences of search-based sentiment and newspaper-based infectious disease equity market volatility on the correlations obtained from VAR(1)-DCC-GARCH(1,1) model.</p> <p>Findings – Findings of this study demonstrate that the integration of the China stock market with Turkey and the US markets diminishes after the outbreak of a pandemic, while the dynamic correlation between the US and Turkey stock markets does not change significantly after Covid-19. Moreover, we present that increase in the media coverage of the Covid-19 related equity market volatility and search-based sentiment have explanatory power on the correlation between Turkey and US markets, especially after the Covid-19 is pronounced as a pandemic. Likewise, individual attention to Covid-19 negatively influences the correlation between Turkey and China.</p> <p>Discussion – This study presents that stock market integration is highly related to human health. Therefore, the results of this study offer inputs to investors and policymakers that can be used during infectious disease periods. Moreover, as public attention has a significant impact on the international stock market correlation, media coverages and information releases during low frequency, high severity events should be managed wisely.</p>

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