

HOW HAS THE INDONESIAN STOCK MARKET PERFORMED DURING COVID-19 OUTBREAKS?

Doddy Setiawan

*Faculty of Economics and Business, Universitas Sebelas Maret
Center for Fintech and Banking, Universitas Sebelas Maret*

Taufiq Arifin

*Faculty of Economics and Business, Universitas Sebelas Maret
Center for Fintech and Banking, Universitas Sebelas Maret*

Y Anni Aryani

Faculty of Economics and Business, Universitas Sebelas Maret

Josephine Tan-Hwang Yau*

Faculty of Economics and Business, Universiti Malaysia Sarawak

ABSTRACT

This paper analyzes the stock market reaction towards the Covid-19 pandemic by using a sample of Indonesian listed firms. In general, we document a significant negative cumulative abnormal returns when the Indonesian President announces the first case of Covid-19 in Indonesia. This effect remains ten days (weaker) after the announcement. However, we only find a short-term effect on the finance industry. While the explanation is still unclear, the investors may observe that the economic impact on the finance industry may arise in the long-run.

Keywords: covid-19, economic impact, market reaction, abnormal return

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1. INTRODUCTION

Recently, we have observed an unexpected reaction of the business environment on the global pandemic of Covid-19. The outbreaks of Covid-19 in several countries have sparked concerns among investors whether the virus outbreak will be a pandemic and thus may significantly slowing down economics. At the end of February, there are more than eighty thousand cases of Covid-19 in 32 countries and causing more than two thousand death.¹ Therefore, on March 11th, 2020, the

* Corresponding author: Faculty of Economics and Business, Universiti Malaysia Sarawak, 94300 Kota Samarahan, Sarawak, Malaysia; Tel: +6082-584370; Email address: ythjosephine@unimas.my

¹ See <https://coronavirus.jhu.edu/map.html> . So far, the virus has infected more than seven million humans and caused more than four hundred thousand deaths (last accessed June 10, 2020).