PAKISTAN STOCK MARKET REACTION TO COVID-19

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The COVID-19 outbreak could go down as a significant illustration of an overlooked danger in history. Much of the concern of corporate decision-makers and policymakers has centered on mainstream market risk outlets and the urgent climate change problem. Major personal life disturbances are happening, for example curfew-like situations in Pakistan and in other countries. Besides the acute disasters of death and illness, there is pervasive apprehension (leading, for instance, to mass purchase of daily goods). The potential economic influence of COVID-19 remains somewhat unpredictable, as it is not clear regarding the propagation of the epidemic, its extent and mortality rate, the policy responses and human behavior.

Economists anticipate the COVID-19 to reduce global economic development by about 0.15 percentage points in 2020, translated into about $135 billion in postponed or unproduced products and services. This year's effects would be guided by three things: first, how quickly the virus travels and how long it lasts; secondly, how much concern affects travel, consumer buying, production, and trade; and finally what steps policymakers take to avoid the spread of the virus and improve productivity.

In this case, the equity market provides a beneficial opportunity to examine, which companies find creditors to be especially impacted by the direct and indirect consequences of the virus outbreak and which companies may not be impaired. In this way, the equity exchange offers a constantly monitored and welcomed overview of what the markets think may eventually be the economic effect of the epidemic.

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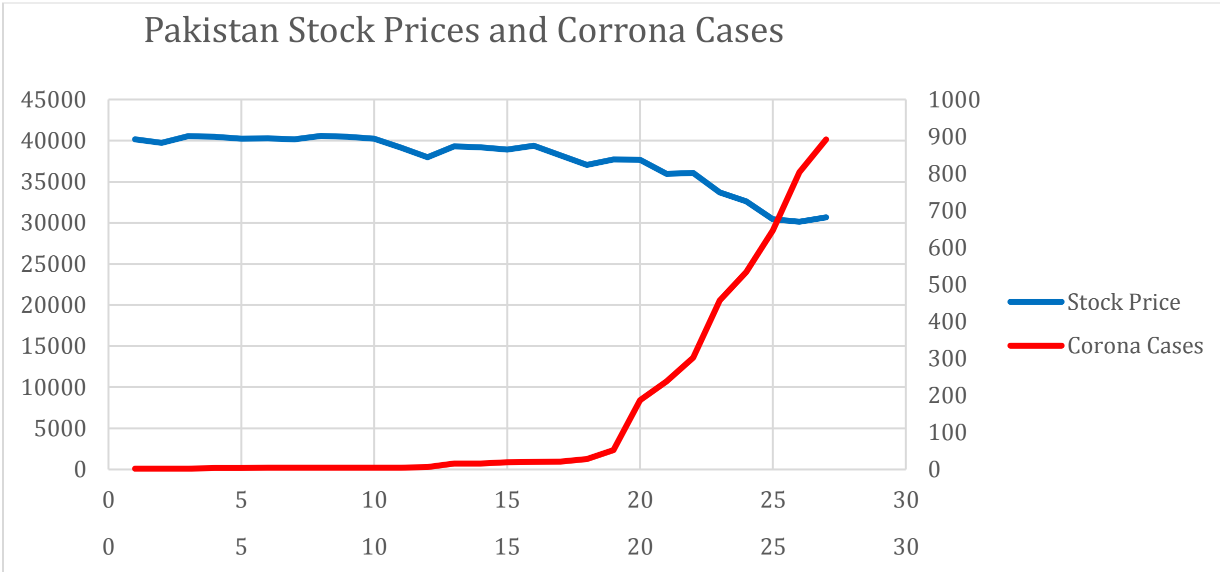

Figure 1: Pakistan Stock Price Index and COVID-19 Cases

Following the global trends, Pakistan Stock Exchange (PSX) also began trading on a bearish note, with the benchmark KSE-100 Index recording its biggest fall since 2009. Due to the increase in the number of COVID-19 cases in the country, the KSE-100 Index lost 1336.03 percentage drop of 4.68 and touch to intraday low at 27228.80 points

TIME TRENDS IN INDUSTRY LEVEL RETURNS:

Many businesses just might endure the crisis, while a few might even profit, and clearly, many sectors will suffer greatly. The types of examples include transportation, leisure, hoteling and airlines, which will be definite losers, and home distribution providers as possible winners as will be facemask manufacturers.

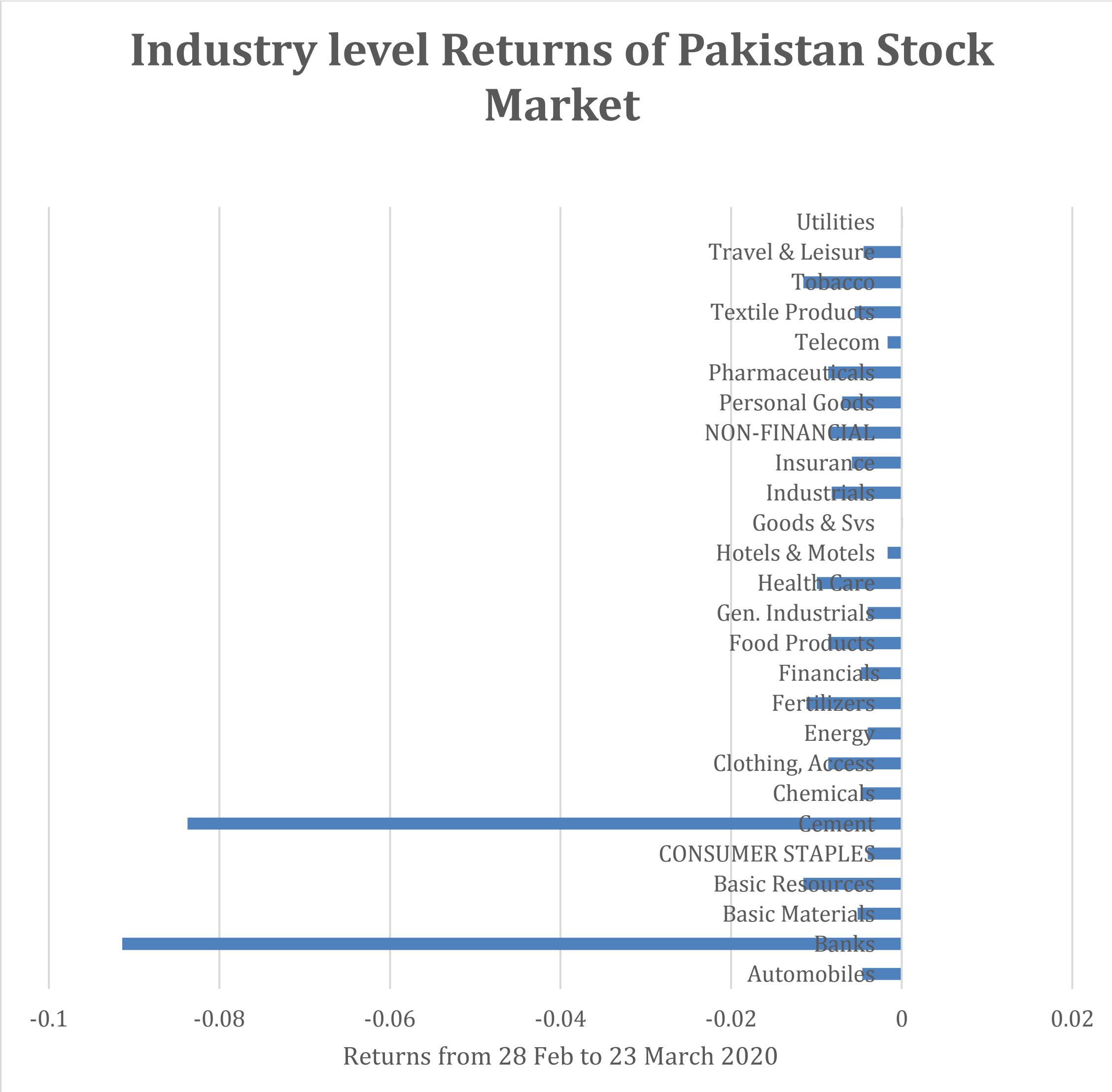

Figure 2: Industry level Returns of Pakistan Stock Market

The unfavorable raw returns generated by all companies but one (Goods and Services) Second, Power, Transportation, Chemical, Banks and Automobiles suffered especially throughout the last one-month. The petroleum market, for example, is made up of several oil firms that will fail in a crisis, and transport corporations are reducing both human traffic and transportation. Companies related to the medical filed have been clear winner in other countries but not in Pakistan. The Goods and Services and utility sectors are the only sectors in Pakistan, which performed well as compared to other industries, as demand for facilities that help jobs at home have skyrocketed. Utilities have benefited significantly, probably because these companies, which are largely local, depend less on foreign markets and competition. In addition, utilities stocks may benefit from *"flight* *to safety"* trading in case of recession fears. Although our focus in this paper is on the Pakistan stock market, it is interesting that, by and large, a similar pattern may be seen in rest of other developing economies.