**2020 GLOBAL STOCK MARKET REACTIONS**

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**Introduction**

The impact of COVID-19 on the stock market performance had far reaching consequences for both financial theory and its practice overtime. The relationship between COVID-19 and the instability of both stock return predictability and price volatility in the global stock market Ehouman (2020). In March the novel coronavirus pandemic of 2020 had negatively affected the stock market to the extent that a critical market-wide circuit breaker designed to keep the stock market form plummeting through the floor was activated four times in a row. Although financial markets reacted unfavorably to the increase in death rates at the time Burdekin (2021), on the global onset of the virus from February, some of the stock in the market such as S&P 500 stock market index had a record-breaking 33.7% plunge which was accompanied by significant falls in most other stock markets throughout the world. In the second quarter of 2020 there were record GDP declines in the United States and some of the European countries Maliszewska et al., (2020). Nonetheless, the majority of these countries, in the face of the global financial crisis had huge stock market rally from their March lows which significantly led to the increase in central bank liquidity.

**Global Market Volatility**

Despite growing inflation, the market turned around dramatically after March 2020. The coronavirus had spread across the globe with cases reported on every continent. According to Baker (2020), the stock market recovery was mostly influenced by sentiment shifts rather than fundamentals. The pricing of stock market risk during the early months of the pandemic was driven by large changes in risk aversion or mood that are unrelated to economic fundamentals or interest rates. The rise in market volatility actually appears to precede the March shutdowns and travel bans Just and Echaust (2020). The pandemic continued to play a significant influence, the early-pandemic severe alterations were not typical of the subsequent experience. According to Phan and Narayan (2020) the initial market was overreacting to the coronavirus. Their findings shows that initial negative reactions to new cases and deaths were frequently followed by positive reactions later on, with half of the 25 stock markets exhibiting positive reactions after 100,000 cases and 100 virus-related deaths. Despite the fact that virus instances and deaths had increased, the global stock market had made a stunning recovery from its 2020 lows ratcheted upwards all the way to the end of the year Okorie and Lin (2021). Other elements in addition to the virus’s spread, came into play over time, this included the government responses to the public health crisis, such as the large stimulus package. These were efforts done in the US and Europe to provide financial assistance to individuals and companies.

**Evaluated Theories of International Finance in relation to MNCs**

Market sentiments, often known as investor sentiment is not usually founded on facts. According to Baker and Wurgler (2006) it is the willingness to speculate or an assets overall optimism or pessimism. The sentiments are more of a conviction about future cash flow and investment that is impacted by emotion and the dangers are not justified by the situation. However investor sentiment is an important feature of the capital market since it contributes to frequent stock price volatility and hence cause uncertainty about future investment returns. Global market structure landscape has seen significant changes in recent year particularly in terms of basic structure due to the coronavirus pandemic Collins et al., (2020). The market sentiments shifted from an investment-oriented economy to a saving-oriented economy. These developments have altered investors’ risk taking behavior by decreasing heterogeneity in the mix of participants.

Market participants demonstrate rational risk aversion, according to the EMH in classical financial theory. Furthermore, the market’s information efficiency prevents participants from outperforming the market Erdem (2020). Stock market investors had to understand the nature of market crisis at the time, such as timing strength, and variability, but also market strategic investment decisions that can generate positive returns or minimize losses due to shock in order to maintain a competitive advantage during market crisis at the time. The prevalence of systemic global market structure in the financial markets due to emotive reasons is explained in the behavioral finance theories, asset price differ from their inherent values due to the illogical behavior of noise traders and arbitrators. At the time coronavirus had investors’ evaluate data from the previous several months to uncover potential lessons from the market crisis and construct an indicator to respond faster and wiser to market volatility Onali (2020). The pandemic was not easy to monitor since, the waves were varying from time to time. Around the globe the restrictions that were implemented affected all industries and sectors. The degree of COVID-19 sentiment impact was predicted to differ by industry.

As a result there was a lot of COVID-19 sentiment correlation that affected the global stock market. The resulting slowdown in the global growth due to the pandemic is more of a ripple effect that cuts across the global market, hampering multinationals’ ability to hit targets for 2020 and upend corporate forecasts and business plan for the year Schell and Huynh (2020). Companies had to deal with currency devaluation caused by the combination of oil prices plummeting and global financial markets driving a flight to safety, in addition to the demand confidence, and supply chain disruptions created by the spread of COVI-19. As a result, enterprises had to face challenges in pricing strategies and customer price sensitivity in the whole year of 2020.

The Aliber theory that is defines exchange risk and the market’s preferences for holding assets denominated in selected currencies were used by majority MNCs through the financial market that allowed firms to gain an edge over the host country enterprises at the time of the pandemic. Secondly the Hyner-Kindleberger theory that draws a monopolistic approach. It is well known that international firms do not operate under conditions of perfect competition Hamel (1980). The MNCs had no option but to act accordingly in respect to the first motive when the pandemic strike. It was observed that most of the MNCs, had to close down as form of incentive due to the pandemic and countries implementing their restrictions that greatly affected the MNCs.

**Practices for Better Risk Management**

The process of discovering, assessing and controlling threat to an organization’s capital and profitability is known as risk management. During the COVID-19 pandemic there were major financial uncertainties, legal labilities, strategic management failures that arose at the time Gabauer (2020). Though the virus’s transmission has slowed and the situation looks to be stabilizing in certain parts of the planet. MNCs must assess the danger of the infection and efficiently manage their cash to survive this difficult era as countries relaunch their economies. To reduce risk exposure MNCs should re-assess the corporate governance structure Becht et al., (2003). When dealing with high-risk markets, foreign enterprises must make sure that their compliance policies are carried out on the ground. The passive top-down supervision will be insufficient and will not serve the purpose of protecting the company’s finances. There should be an effective plan to embed internal control mechanisms into the MNCs governance structure. This will provide the separation of roles as well as a clear and effective reporting line. Shareholders will have stronger long-term control over their operations. In the event that the corporate governance structure needs to be changes in the future, shareholder should clearly identify the duties and responsibilities of key management employees. Secondly internal inventory management controls must be implemented. It has become extremely difficult to accurately merge purchase orders received from customers, inventory movement data, and accounting records, it is vital for trading and MNCs should develop adequate IT systems to monitor and automate inventory management. This is to allow the visualized monitoring of the company from remote places and ensure that everything is running accordingly. Thirdly, ensuring supervision by building an effective and clear reporting line. When an employee is given the authority to conduct essential tasks without supervision, there is always a possibility that they would abuse their position and act in their own self-interest. The MNCs shareholders should monitor whether each person is performing their duties in line with the company’s article of association and applicable laws and regulations on a regular basis. This helps MNCs to evaluate on how their operations are run when they are not around to monitor them. This ensure the safety of the MNCs finances and protect them from fraud. Finally segregation of duties is essential to limit the incidence of financial theft. With segregation of duties cash inflow and out flow will be much easier. For instance, the cashier in charge of corporate checkbook should not have unrestricted access to the company funds; otherwise, they would be able to make payments at the bank without being noticed. Guidelines should be enacted to soften the process and with the segregation of duties it will be easier to monitor who had access. The inventory data, shipping records, invoicing and sales statistics in the company books should all be meticulously managed and the relevant duties should be properly separated to ensure the MNCs run their daily operations from anywhere in the world without having worries about the safety of the company and its performance.

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