# Justification for ‘How do different US industries differ in stock price movement for major disease-related policy and statistical announcements during the COVID-19 pandemic?’

The COVID-19 pandemic has seen a sharp increase in the volatility of the NASDAQ market (Z. We, I. Florescu, 2020). The S&P 500, as well as the DOW Jones, have seen some of the sharpest increases as well as declines since the 1987 stock market crash, also known as Black Monday (NASDAQ, 2020).

The stock market performance can indicate upcoming hardship such as recession (E.A.Farmer, 2012). We hope to be able to analyse what events cause different effects on stock prices, as to be able to develop a strategy for handling different events during the crisis. This study hopes to indicate whether economical announcements such as stimulus packages, or statistical announcements such as infection rate and total daily deaths can be linked to stock market performance. Policymakers could then use the results to create a cost-benefit analysis of different economic policy announcements to the effect of the market.

On top of this, policymakers could see the effect of introducing announcements such as stay at home orders/closed borders/social distancing regulation has on different industries in the stock market. This could allow for targeting of these industries through their policy implementation.

The entire population has been affected this virus and although some policy has already been announced and implemented there is likely more to come, meaning there is no better need for this analysis than right now.

The speculation and uncertainty in the market can be attributed to many different variables;

Other than the initial sudden increase in spending due to panic buying there has been a sharp decline in overall spending (Baker, Farrokhnia, Pagel, Yannelis. 2020). Stimulus packages are often introduced to mitigate low spending.

Australia’s stimulus packages during 2008 were seen to have created demand and in turn increasing spending, however, the similar US stimulus didn’t see the same effect as it was labelled a ‘rebate’ rather than a ‘bonus’ (Leigh, 2012).

This is a prime example how different aspects of policy announcements can have different on markets (in this case the consumer market) and how Australia was able to achieve a more desired effect through their spending of tax-payers money.

The announcement of stay at home orders worldwide is expected to affect the supply-chains of consumer and corporate goods due to human labour services being unavailable. The chain reaction of supplies being unavailable is expected to last well beyond the pandemic (Ivanov, 2020).

This causes the expectation of shrinking revenues due to both limited supply and demand. As earnings and revenues decrease this creates larger price to earnings ratio, which can cause stock price momentum downward. (Hong-Yi, Sheng-Syan, Chin-Wen, & Cheng-Few, 2013). This allows the stock price to indicate future economic spending and therefore the likeliness of recession.

The effect of social distance policy to ‘slow the spread’ or ‘flatten the curve’ on the market needs to be analysed so that governments can directly compare this economic effect to the how the same policies could also impact the severity of COVID-19 (death rate, infection rate). On top of this funding can be better allocated towards investment (eg. the government could announce increased testing, ICU capacity, or cure/vaccine research) that positively affect markets.

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