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Editorial

The Impact of COVID-19 on Financial Markets and the Real Economy

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The emergence of the novel coronavirus in December 2019 manifested in an expanding prevalence of confirmed cases worldwide, posing a significant challenge to international healthcare safety; with this incident, the notion of "regular life" shifted (Guven et al. 2022). On 11 March 2020, the World Health Organization (WHO) proclaimed pneumonia triggered by the novel coronavirus—referred to as COVID-19—to be a global pandemic (Zhong and Lin 2022). The top ten nations in terms of confirmed cumulative COVID-19 cases were the United States, Spain, Russia, the United Kingdom, Italy, Brazil, France, Germany, Turkey, and Iran (Bouteska et al. 2023). The contagion had a detrimental influence on both the real and monetary dimensions of the economy in advanced, emerging, and developing countries. Many industries, particularly airline companies, tourism and travel organizations, and resorts, have had significant challenges in sustaining their revenue streams (Uddin et al. 2022). Unlike the 2007–2009 economic meltdown, the COVID-19 pandemic was not caused by problematic market situation or reckless financial policy; it was, in fact, completely unpredicted (Hsu and Tang 2022). Moreover, it contrasted from other earlier dramatic events caused by economic and financial circumstances, including the Asian financial crisis in 1997–1998 or the European debt crisis in 2010–2013 (Dong et al. 2022). Nevertheless, the similarity of these downturns is that they commenced in one nation or area and spread rapidly to other markets, prompting considerable disruption in the worldwide financial system (Zhang et al. 2022). Thus, COVID-19 has been regarded as an "exogenous shock" or potentially a "black swan", as it was such a rare occurrence that has major repercussions for stock markets without any reasonable anticipation (Costola et al. 2023).

The COVID-19 pandemic has resulted in impressive countermeasures to limit the propagation of the virus, such as worldwide and local travel bans, lockdowns, and quarantines, which have caused rapid and lengthy disruptions to the majority of businesses and industries (Yarovaya et al. 2021). To restrict the virus's propagation and to mitigate or avoid its effect on the economy and financial markets (Iyke and Maheepala 2022), governments all over the world implemented fiscal recovery measures, with main fiscal strategies comprising automatic insurance mechanisms, social security systems, tax breaks, and subsidies (Sariyer et al. 2023). In addition, central banks have decreased interest rates near zero, lowered reserve ratios, and expanded repurchase operations to mitigate the effects of the outbreak (To et al. 2023). However, because of poor overall health and pre-existing conditions in the community, a shortage of adequate public healthcare resources, an upsurge in the unemployment rate, and deficient leadership, developing countries have suffered more from COVID-19 than developed economies (Tortorella et al. 2021).

The financial markets witnessed substantial changes following the global diffusion of COVID-19 (Jin et al. 2022). Liu et al. (2021) proved that COVID-19 raised the likelihood of a stock market meltdown. Accordingly, the S&P500 and S&P Europe 350 lost more than a third of their value on 23 March 2020, relative to their historical high on 19 February 2020, with a 12% single-day drop in mid-March (Martins and Cró 2022). The Dow Jones Industrial Average fell to 7.79% on 9 March 2020, and then plunged to 9.9% on 12 March

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2020, denoting the largest drop in US history (Rubbaniy et al. 2022). Moreover, during the early phases of the pandemic, investors experienced anxiety, dread, and panic because of the unforeseen health and economic prospects (Cervantes et al. 2022). According to Yu and Xiao (2023), the pessimistic news from COVID-19 government restriction policies generated more instability in stock markets than the optimistic news. Moreover, Chebbi et al. (2021) emphasized that COVID-19 has a negative relationship with stock liquidity, implying that the pandemic undermined business liquidity. In addition, Tiwari et al. (2022) confirmed that a causal connection occurred between the number of cases of COVID-19 infections and stock market liquidity.

While the pandemic has devastated the world's economy, it has been extremely detrimental to nations that export commodities with unpredictable pricing (Shehabi 2022). During the COVID-19 outbreak, oil prices plummeted dramatically in April 2020. For the first time in history, US crude futures dropped to negative values, falling from USD 18 a barrel to USD −38, as stockpiles overloaded storage capacity (Mensi et al. 2020.

Securities that behave independently to market events were preferred for minimizing risk in portfolios (Yıldırım et al. 2022). Hence, investors looked up assets that hedge or serve as a safe haven against aggregate macroeconomic shocks as a consequence of economic turbulence (Kamal et al. 2022). Gold is regarded as a safe haven asset by investors who encounter unexpected price fluctuations in financial markets and inflation (Bani-Khalaf and Taspinar 2022). When COVID-19 started to spread, gold prices slowly declined, but began to increase again in February 2020. Gold surged against all major currencies, achieving a record high of USD 2063.19 per ounce in August 2020, its highest level in almost a decade (Li et al. 2022). Additionally, over the last few years, the priority has shifted from gold to a new asset referred to as Bitcoin. Bitcoin was initially proposed in 2009, after the collapse of the investment bank Lehman Brothers, as confidence in financial institutions plummeted (Chemkha et al. 2021). Bitcoin's price increased sharply, and its closing price first surpassed USD 60,000 on 13 March 2021, before dropping to roughly USD 30,000 in July 2021 (Elsayed et al. 2022). Hence, Conlon and McGee (2020) raised suspicions on Bitcoin's potential to provide protection from volatility in conventional markets. Furthermore, Salisu and Ogbonna (2022) proved that the volatility of cryptocurrency returns was higher during the coronavirus outbreak than it was during preceding financial crises, such as the global financial crisis.

Financial shocks may propagate across nations and markets because of the swift pace of the globalization process, and the turmoil will heighten the likelihood of financial instability or alter the contagion structure among various markets (Guo et al. 2021). For instance, Liu et al. (2022) proved that risk spillovers from European and American equity markets substantially increased, but those from Asian markets obviously decreased after the onset of the COVID-19 pandemic. In addition, Banerjee (2021) stressed a major financial contagion in most developed and emerging nations with extensive trade ties with China during the COVID-19 episode.

This book comprises 17 papers published in the Special Issue entitled "The Impact of COVID-19 on Financial Markets and the Real Economy", centered on exploring variations in the structure of socioeconomic models due to the pandemic (Vasin 2022); the impact of the COVID-19 pandemic on the economy or industries of various nations such as Canada (Singh et al. 2022), China (Habibi et al. 2022), Slovakia (Svabova et al. 2022), United States (Rodousakis and Soklis 2022), or Vietnam (Huynh et al. 2021; Nguyen et al. 2022); workforce disruptions caused by the pandemic in the Philippines (Santos et al. 2022) or on the Russian labor market (Rodionov et al. 2022); examining the tourism and recreational potential of the cross-border regions of Russia and Kazakhstan, and the risks these regions faced during the COVID-19 phase (Tanina et al. 2022); analyzing the factors affecting young Vietnamese people's intentions to use financial technology (Khuong et al. 2022) or the factors affecting Vietnamese informal laborers' credit access in the context of the pandemic (Vu and Ho 2022); predicting Jordanian insurance companies and their performance examination (Altarawneh et al. 2022) or developing an early warning of solvency risk in the banking industry in

Indonesia during the COVID-19 outbreak (Hidayat et al. 2022); stock market responses during the COVID-19′s several phases (Keliuotyte-Staniuleniene and Kviklis 2022); the drivers of cross-border mergers and acquisitions during the pandemic (Lee et al. 2021); and the financial and fiscal variables of the Ecuadorian economic groups (Tulcanaza-Prieto and Morocho-Cayamcela 2021).

Finally, the publications featured in this Special Issue expanded our comprehension surrounding the effect of the COVID-19 pandemic on financial markets and the real economy, and they proposed appealing future research avenues.

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