

ECONOMIC FINDING

Stock Prices, Lockdowns, and Economic Activity in the Time of Coronavirus

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Global stock prices fell 30% from February 17 to March 12, 2020, before mobility declined. Over the next 11 days, stocks fell another 10 percentage points as mobility dropped 40%. From March 23 to April 9, stocks recovered half their losses and mobility fell further. From April 9 to late May, both stocks and mobility rose modestly.

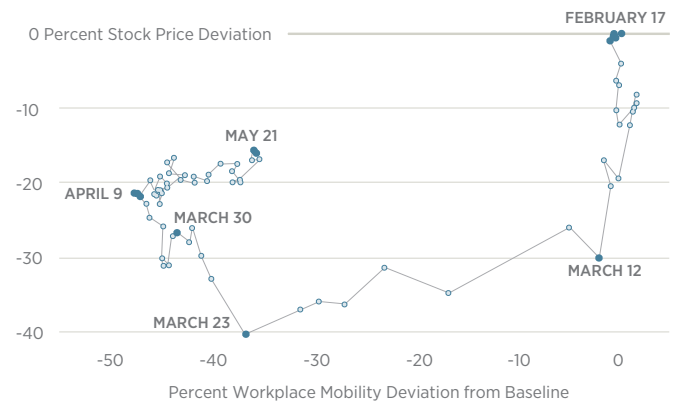
Stock markets cratered after mid-February 2020 in countries around the world, as the coronavirus pandemic spread beyond China. In what many see as a puzzle, the global stock market recovered more than half its losses from March 23 to late May. US stock market behavior, in particular, has prompted much head scratching: Despite a failure to control the pandemic, the US stock market recovered 73% of its lost value by the end of May and 95% by July 22.

The authors show that stock prices and workplace mobility (a proxy for economic activity) trace out striking clockwise paths in daily data from mid-February to late May 2020. Global stock prices fell 30% from February 17 to March 12, before mobility declined. Over the next 11 days, stocks fell another 10 percentage points as mobility dropped 40%. From March 23 to April 9, stocks recovered half their losses and mobility fell further. From April 9 to late May, both stocks and mobility rose modestly. The same dynamic played out across the vast majority of the 31 countries in the authors' sample.

A second finding reveals that stock prices were lower when countries imposed more stringent market lockdown measures: national stock prices are 3 percentage points lower when the own-country lockdown stringency index is one standard deviation higher, and 4.7 points lower when the global average stringency index is one standard deviation higher. These are separate effects, and both are highly statistically significant.

Figure 1 • Time Path of Stock Prices and Workplace Mobility, Market-Cap Weighted Global Averages

31 Countries (excludes China), February 17 - May 21, 2020



The authors also closely analyzed stock prices in the world's two largest economies—China and the US. They find that the COVID-19 pandemic had much larger effects on stock prices and return volatilities in the US than in China. At least in part, the larger impact on American stock prices reflects China's greater success in containing the pandemic. However, the authors stress that the US stock market shows a much greater sensitivity to pandemic-related developments long before it became evident that its early containment efforts would flounder.