The Indexes Clustering Volatility and Leverage Asymmetric Effects During COVID -19 Pandemic

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ABSTRACT

Following the recent COVID-19 epidemic, the global stock markets experienced varying degrees of volatility. This paper examined the effect of the COVID-19 pandemic on volatility and leverage asymmetric of global stock market indexes. For the empirical analysis, daily data of the Stock Exchange indexes of ten countries, namely USA, UK, Malaysia, Indonesia, Singapore, Japan, China, Saudi Arabia, UAE, and Bahrain, were obtained from Bloomberg, Yahoo Finance, and the World Bank for 2019 and 2020. GARCH- based tests suggest that there are no asymmetries in the dynamic volatility of the stock market. In contrast to most developed and emerging economies, empirical investigations using asymmetric GARCH models also reject the premise of asymmetric volatility. Our findings concluded that the volatility clustering increases market uncertainty and investors' exposure to risks in the market.

Keywords: Clustering volatility, GARCH models, Asymmetric effect