Faculti Summary
https://staging.faculti.net/understanding-the-impact-of-covid-19/

The speaker reflects on their research conducted during the COVID-19 pandemic, particularly analyzing the impact of the pandemic on global financial markets, specifically focusing on "black swan" events—unexpected, significant market disruptions. During the early days of the pandemic in March 2020, the global markets were uncertain and destabilized, prompting the speaker to explore how to assess the associated risks.

The research involved gathering data from credible sources such as the New York Times and The Guardian, utilizing established methodologies like event studies to examine how specific events related to COVID-19 affected stock markets. The speaker emphasized the importance of identifying structural breaks in financial data to understand the market's response to the shock.

The analysis highlighted the significant impact of the pandemic on developed markets, particularly the G7 countries, which experienced severe market declines. In contrast, emerging markets experienced a relatively moderated impact and confusion during the period.

The speaker employed various financial models, including non-linear models and the VIX index, to analyze market behavior and volatility associated with the pandemic. They found evidence of significant market reactions during critical dates, referred to as Black Mondays, where stock market crashes occurred.

Ultimately, the research concludes that the pandemic represented a unique, non-normal shock to the market, revealing differing investor responses based on their behavioral tendencies, such as fear or optimism (termed as "animal spirits"). The findings suggest that while developed markets faced severe declines, emerging markets showed resilience.

The study provided insights for further research, indicating significant implications for market behavior during extraordinary events such as global crises and illustrating the interconnectedness of global markets.