



The impact of COVID-19 on Iraqi Stock Market: An Event to Study Methodology

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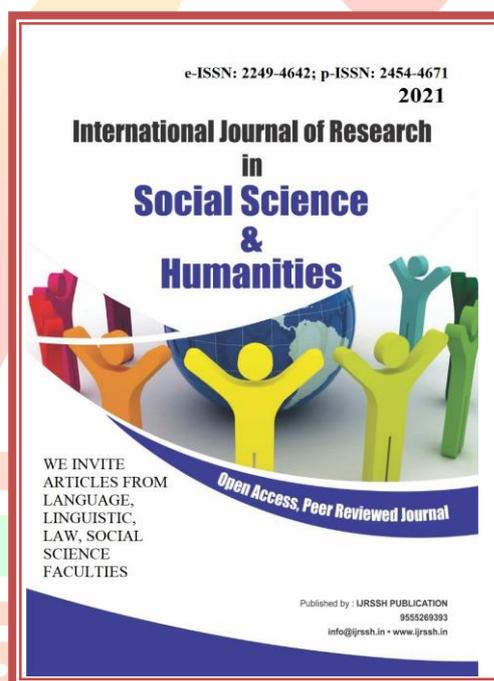
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ABSTRACT

The research aims to study the impact of the economic crisis caused by the Corona pandemic on the Iraqi stock market by studying the event, specifically the impact of two pandemic events on the returns and volume of shares circulation, for companies listed on the Iraq Stock Exchange across sectors (banks - communications - insurance - services - Industry - Hotels and Tourism - Agriculture), and the Iraqi market for financial stocks represents the place of application, while the market sectors, which number (7), represent the research community, and the sample of the study of the impact of the pandemic on the market index, companies included in the Iraq Stock Exchange Index (SIX60) which Its number reached (60) companies from all market sectors, while the sample for studying the impact of the pandemic on the sector's returns and trading volume in them was (102) companies representing all companies listed on the Iraq Stock Exchange. Data and information were obtained from reports (daily, weekly and monthly) issued. From the Iraq Stock Exchange and the Securities Commission for the time period (2019-2020), and the financial methods represented by stock returns, trading volume and market momentum index were relied upon, and some statistical methods were adopted. For my description of (arithmetic mean, standard deviation, and percentages), as well as inferential statistics methods (autocorrelation coefficient - simple regression - T-test - histogram - scatter plot - QQ chart) across applications (SPSS V25-Excle 2020- Py Charme2020) to compare Results and testing of research hypotheses. This is to determine the impact of the Corona pandemic (the first and second event) on the returns and trading of ordinary shares on the Iraq Stock Exchange.

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INTRODUCTION

Since ancient times, the economic and financial circles have been concerned with studying events that undermine the economic and financial foundations on which they are based, and as a result of their repetition over time, those concerned with financial markets have been pushed to study these events, analyze them better and understand them, as well as study them periodically because their features evolve and change in every time and place in which they are established. These events are known as the economic crisis (Economic Crisis), the closest to which is the economic crisis that the world has experienced since late (2019) and its sails are still under the weight of its winds to this day, which resulted from the outbreak of the new Coronavirus (COVID-19) known as the Coronavirus (Coronavirus). Highly contagious and transmissible among humans, it affects the respiratory system, causing death), so that the global economy in all its sectors pushes turmoil and suffering in all its economic and financial indicators, which the global economy has not witnessed since the economic crisis in (2008) and the Great Depression in the year (1929) as a result of its transformation from an epidemic to A pandemic affected all countries of the

world, as the crisis caused the collapse of many companies, and the loss of many jobs as a result of preventive measures, as nearly (5) million people lost their jobs during the year (2020) in Europe alone, so the financial management aims to deal with crises in the manner. The best is by studying and analyzing the variables of the economic crises in general and the Corona pandemic crisis in particular, as it falls to the financial managers to make most of the company's decisions in these situations, so the researcher pushed to analyze and discuss d The head of the Corona pandemic event on the Iraq Stock Exchange.

RESEARCH METHODOLOGY

The research methodology represents a series of organized steps that the researcher undertakes for the purpose of studying a specific topic and reaching valuable results that contribute to solving problems, as the methodology is the beacon that guides the researcher during his research and the roadmap that leads him towards satisfactory scientific results.

A. Research problem: We will embody the research problem through a specific question (What is the impact of the Corona pandemic on the circulation and returns of

ordinary shares in the Iraq Stock Exchange?).

B. The importance of research: The importance of research lies in determining the impact of the spread of Corona virus on the Iraqi stock market.

C. Research hypotheses: Corona virus affects the circulation and returns of shares in the Iraq Stock Exchange at a significant level (0.05)

LITERATURE REVIEW

Financial Crisis: From the point of view of (Goldsmith, 1982: 42), (Dullien et al., 2010: 18), and (Pablos et al., 2020: 43), the financial crisis indicates a sudden strong imbalance in a part of the economic balance that causes negative effects in several Financial institutions and the effect of this extends to other economic sectors, which leads to a sharp decline in the value of assets, while (Zandi ,2009: 173) referred to the financial crisis as witnessing a natural disaster such as an earthquake or flood, but it is man-made. (Oyster, 2018: 24) Saw that The financial crisis occurs as a result of investors' expectation of certain results and on the basis of which they make their financial decisions, and similarly to that followed by other investors, and this is called the "bandwagon effect" (like a speeding vehicle that only people rush to because those before them have rode it) From the

researcher's point of view, this behavior is subject to the influence of the group aura, which leads to a rapid rise in certain assets and a disturbance of the economic balance, causing the crisis.

Factors of financial crisis: In order to clarify the dynamics of the occurrence of the financial crisis, it is necessary to study and understand the factors causing its occurrence, which are represented by the following: (Friedman, 2011: 13), (Avgouleas, 2009: 28), (Jickling, 2009: 5)

1 . Irrational behavior by investors due to personal expectations without reference to scientific constants in their validity, and this is closer to the term "mob behavior" referred to by "Bernard Lewis", which is a primitive behavior for people who decide before they read, as the financial crisis is closely related to factors These aspects cannot be diminished or neglected, as neglecting them is the biggest defect in the series of reforms to confront the financial crisis when it occurs.

2 . Sudden and large bank withdrawals due to the fact that a large number of customers of banks or other financial institutions withdraw deposits suddenly in a short period due to concerns about the inability of banks to pay financial withdrawals due to certain circumstances, which leads to an increased likelihood of

banks failing to pay their obligations towards bank customers. Thus, the rest of the bank's customers rushed to withdraw deposits, and as a result of these large withdrawals, the banks' reserves may not be sufficient to cover the withdrawals and thus the banking sector begins to collapse.

3. Exaggeration in the pricing of assets as a result of speculation that is not based on financial and economic indicators, as the acquisition of some assets by investors because they believe that their value will rise in the future, and as a result of these speculations the prices of these assets rise significantly despite their low value, in addition to the competition of individuals to acquire them, and that a crisis like the tulip or tulip madness in the Netherlands is evidence of this.

4. The inability of borrowers to repay the debts owed to banks by "defaulting on payment" due to several reasons, including the reluctance of consumers to certain products or a particular production sector that leads to financial hardship for these companies and the sector, and in the event that this situation continues, it leads to financial hardship for the companies of that productive sector, which leads to. Due to the low liquidity of the banks that deal with them and the inability to face financial withdrawals by their customers.

5. The ratings of some agencies are exaggerated in the classification of some businesses and companies, as it is noted that the Statistical Rating Organization recognized at the national level (NRSRO) (a credit rating organization that provides an assessment of the creditworthiness of a company or financial instrument registered with the Securities and Financial Market Committee), so when rating one of the companies rated (AAA), which indicates the choices of investors according to this classification, over the companies with rating (CCC). Thus, the rating agencies are an important pillar to maintain the balance of the economy, whose integrity and accuracy must be preserved.

6. The "neoliberalism" represented by the contemporary excessive freedom of banks and capital owners (I have money if he can do anything) by central banks, as these banks manipulate the level of liquidity available for the purpose of making profits, this leads to the banks not keeping the liquidity required to face withdrawals, Or raising exchange rates by monopolizing the currency, that this economic policy reduces the role of the state and increases the role of the private sector as much as possible, and the economic balance in this case is under the control of a group of capital owners, and banks who usually prefer their interests, and make financial

decisions. Achieve their goals despite the fact that these decisions have a negative impact on the economy.

Financial markets represent the markets in which money is transferred from people who have a surplus of available funds to people who need money, as financial markets represent the cornerstone of raising the economic efficiency and economic growth of countries, by directing money from people who do not use it productively, To those who will employ it better, and the weakness in the performance of financial markets is a major reason for the occurrence of financial and economic crises and the collapse of the financial system, and the stock market is the largest among the financial markets (Mishkin, 2016: 48).

Types of financial markets:

There are several types of financial markets that are based on financial exchanges according to the type of financial instrument that they want to trade in. There are several types of financial instruments that can be invested in by savers who want to increase their profits, and are classified as follows:

1. **Commodity market:** A financial market that is traded through the primary economic sector, instead of manufactured products, as solid basic materials are

traded before refining such as crude oil and gold, and the oldest way to invest in commodities is futures contracts, so commodities are secured with physical assets. Financial commodity markets can include you, physical investments

And derivatives (Geisst, 1989: 90).

2. **The money market:** the money market represents one of the constituent parts of the economy, as it provides short-term funds, and the basis for its dealings is short-term loans, whose repayment periods are a year or less, and from this point of view money in the money market has become a commodity that is traded resulting in returns to its owners (Keown et al, 2017: 51).

3. **Derivatives market:** The derivative market is a financial market in which derivatives are traded, and financial derivatives represent futures contracts and options derived from several forms of assets. The derivative market is divided into two parts, the derivatives traded in the organized market and the derivatives traded outside the organization, which are traded in particular (Bradfield, 2017: 433).

4. **Capital market or stock market:** a financial market in which long-term debt instruments that have a repayment period of more than a year or securities that are based on equity, as the capital market

directs the wealth of savers to those who can employ them in a long productive use. Forwards, the capital markets are divided on the basis of type Stock: (Matos, 2001: 11), (Arnold, 2012: 219-328).

Market Indicator: expresses numbers that represent the stock's position during certain periods of time through some mathematical relationships that can be translated into a chart, and most stock markets have their own index (Temple, 2003: 174).

DATA AND ANALYSIS

To analyze the impact of the Corona pandemic on the Iraqi stock market, they

were in the year (2020), specifically during the first season or the first quarter of the year, so we will display the changes between the year (2019) and the year (2020), as well as the change between the last season of the year (2019), which represents the fourth quarter of them, and the first season of (2020), which is the first quarter.

A. Table (1) summarizes the change in prices during the two sections of the first and second event testing period for each sector in the Iraq Stock Exchange, and clarifies the rates of change for each of them.

Table 1

Agriculture	Hotels	Industry	Service	Insurance	Communications	Banking	
6.373	22.020	4.100	6.895	0.720	8.050	0.377	(2019)Last quarter
6.160	15.739	2.721	1.613	0.540	5.300	0.275	(2020)First quarter
3.3-	28.5-	33.6-	76-	25-	34-	27-	(%)Change

As shown in Table 1, the prices of the services sector were the most affected by the two events, with a change rate (-76%), followed by the telecommunications sector with a change rate (-34%), the industrial sector (-33.6%), the hotel and tourism sector (-28.5%) and the Banks (-27%) and the insurance sector (-25%). As for the sectors least affected by the share price, the agriculture sector was (-3.3%).

Table (2) also shows the sector price rates in the Iraq Stock Exchange for the observation window (2019) and the events window (2020).

Table 2

Agriculture	Hotels	Industry	Service	Insurance	Communications	Banking	
5.0633	15.7458	3.0583	6.7983	0.4633	7.8708	0.4733	Observation (2019)window
6.7941	18.1191	4.0775	6.5366	0.6258	6.8825	0.4175	Event (2020)window
34.1	15	33.3	3.6-	35	12.5-	11.7-	(%)Change

It is noted from Table (2) that during the period of the events window, three sectors (banking, communications and services) were affected by the observation window. -11.7%) and (-3.6%) respectively, and although all sectors collapsed their share prices immediately after the event, but returned to their normal level after a period of about (60) days, as each of the sectors (insurance - industry - hotels and tourism) increased. Agriculture) by (35%), (33.3%), (15%) and (34.1%), respectively.

Figure (1) shows an analysis of the seasonal turmoil of the Iraq Stock Exchange Index during the year (2019) and (2020) the research period.



From figure (1) it is noticed that the impact of the Corona pandemic was evident in the decline of the market index, in addition to the seasonal unrest that was proceeding in constant harmony before the pandemic, but we notice the anomalies in it during the year (2020) until the middle of the second part of the third quarter of the same year in the place Surrounded by the red circle.

B. Despite the higher trading volume in the probation period than the observation period, as the trading volume in the observation window reached (164,524,000,000) shares and the trading volume in the test window (236,818,400,000) shares, but there are sectors on which the pandemic has had a strong impact that led to a significant decrease. In volume.

Table (3) shows the trading volume for each sector during the two sections of the first and second event testing period for each sector in the Iraq Stock Exchange, and clarifies the rates of change for each.

Table 3

Agriculture	Hotels	Industry	Service	Insurance	Communications	Banking	
232.6	2295.8	15569.6	2711.8	167.8	66883.4	18351.6	Trading volume for the last (2019) quarter
689.7	263.7	4041.1	546.6	12.5	1701.6	2287.5	Trading volume for the first (2020) quarter
169.6	88.5-	74-	79.8-	92.3-	97.5-	87.5-	(%)Change

It is noticeable from Table (3) that the telecom sector declined the most after announcing the event, which decreased by (-97.5%), followed by the insurance sector, with a decrease of (-92.3%), and then the hotel sector by (-88.5%). As for the agricultural sector, it was the only beneficiary of the event due to the trading volume, as its trading volume increased after the event to (169.6%).

Table (4) also shows the differences in trading volume for all sectors between the observation period and the probationary period in the Iraq Stock Exchange.

Table 4

Agriculture	Hotels	Industry	Service	Insurance	Communications	Banking	
6881.0	8957.1	38825.7	7041.6	876.8	43867.9	58142.2	Observation (2019) window
6583.0	4818.9	39942.2	8209.3	342.3	73068.3	103854.2	Test (2020) window
4.3-	46.2-	2.9	16.6	61-	66.6	78.6	(%)Change

As the volume of trading decreased due to the event during the window of the event in three sectors (insurance, hotels and agriculture). Agriculture by (-4.3%), while trading volume increased in the rest of the sectors, the banking sector recorded the largest increase (78.6%).

HYPOTHESIS TEST

From the table below we can analyze if our hypothesis Accord there is an influence on the Iraqi stock market caused by the event of coronavirus.

Table 5

		Mean	Std. Deviation	t	Sig. (2-tailed)
Pair 1	Banking	0.586	0.684	2.710	0.024
Pair 2	Communications	0.009	0.056	2.497	0.031
Pair 3	Insurance	0.000	0.000	2.381	0.024
Pair 4	Services	0.008	0.036	2.696	0.005
Pair 5	Industry	0.012-	0.164	0.236-	0.819
Pair 6	Hotels	0.094	0.283	3.047	0.032
Pair 7	Agriculture	0.038-	0.114	0.870-	0.418

By testing our hypothesis through T test we can ensure that the pandemic of COVID-19 has affect the stock market in Iraq also the industry and agriculture don't affected by the event because the investors trained to the Local in the study and agriculture because the border was closed and they knew that the best invest was to invest their money inside the country so the most investors tend to invest in industry and agriculture.

RESULTS

We have found that the pandemic of coronavirus has effect on a lot of stock market a specific order to errands and the trading volume, it has been affected immediate after closing the market because of the pandemic, also the events effect was decreasing every time past, but in mean the effect was hard shortly in the first few days, so we viewed the first quarter was much intense because it sure does having to make a short influence on Iraq stock market.

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