

Covid-19 Information Consumption and Stock Market Return

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Background & Purpose: There is a growing concern on potential increase of risk in the financial system due to the prolonging of COVID-19 pandemic crisis. This uncertain situation results in more COVID-19 information and news attention from the stock market participants. In this context, our study aims to investigate how stock market return is affected by the COVID-19 information attention from the perspective of developed market economies. **Theoretical Proposition:** Our study is based on theoretical proposition of investor attention and asset pricing. The efficient market hypothesis suggests that in its strongest form, stock price should reflect all the relevant information quickly and accurately so that investors may not be benefited from abnormal return due to anomalies in share price. However, there is now wider access to internet which makes it easier for investors to make more informed and timely investment decision. We argue that due to nature of COVID-19 shock, investors are required to stay at home, which tempts them for information discovery mostly through searching on the internet. Since investors tend to explore specific set of information, we expect that their current investment decision will mostly be affected by the COVID-19 information attention on internet search. **Methods:** We use Google search volume (GSV) index to proxy investor information attention in respect to case, death, lockdown, and vaccine, which have higher search traffic than other synonyms words. Our sample period covers from 12 February to 30 November, 2020 for the country of USA, UK and Australia, which combinedly share more than 60 percent of total world equity market value. Moreover, to match the exact Google Search word, we chose these 3 English speaking developed countries, where apart from wide availability of internet, Google is also accessible and where investors are more rational for making informed investment decision. **Findings:** We uncover that information attention towards lockdown and vaccine positively affects investor sentiment. By contrast, we do not find significant impact of case information attention. However, we find that COVID-19 death information attention is negatively associated with stock market return for initial 90 days of trading period. **Discussion:** The positive impact of lockdown and vaccine suggests that investors are expecting reversal of economic downturn following improved COVID-19 condition. The positive sentiment of investor regarding lockdown and vaccine information attention implies that investors feel safe and expect a possible decrease in fatalities of COVID-19 due to imposed restrictions and vaccine efficacy. Moreover, the negative effect of the death information attention for the initial periods implies that investor's mood may swing over the time period of uncertainty. **Contribution:** Our study adds to the literature on financial market effect due to natural catastrophic events in relation to pandemic. Particularly, our study contributes to the understanding of how stock price is affected by the investor sentiment in terms of both positive and negative COVID-19 related information search. **Limitations:** Since our study uses only GSV as information attention

source for retail investors, there may be diffusion in the findings when considering the information attention by institutional shareholders.

Keywords: Covid-19, Google Search, Investor Attention, Pandemic, Stock Market Return