COVID-19 CRISIS AS A SYSTEMATIC RISK: AN EMPIRICAL STUDY IN THE EGYPTIAN STOCK MARKET

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Abstract

This paper examines the ability of beta (β) to measure the systematic risks posed by the COVID-19 crisis and analyzes the impact of the COVID-19 crisis on stock returns for a sample of 50 stocks, grouped on the basis of size and value in the Egyptian Stock Market. CAPM beta of the stock was used to represent the systematic risk stocks, market capitalization was used to construct the large and small stocks portfolios and the book-to-market equity ratio was used to construct high medium and small portfolios. The results showed that systematic risks measured by beta increased after COVID-19 crisis for all sample stocks, the portfolios consisting of stocks with high and medium B/M ratio and the portfolios consisting of small capitalization stocks and big capitalization stocks. However, the COVID-19 crisis has no effect on systematic risks for the portfolio consisting of stocks with low B/M ratio. The results also indicated that stock returns decreased after the COVID-19 crisis for all sample stocks, the portfolios consisting of stocks with low B/M ratio and the portfolios consisting of big stocks. However, the COVID-19 crisis does not affect stock returns for the portfolios consisting of stocks with high and medium B/M ratio and the portfolios consisting of small stocks.

Keywords: CAPM model; beta; Systematic Risk; COVID-19.

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