

MULTIBUBBLES IN BORSA ISTANBUL RETAIL STOCKS DURING COVID19 PANDEMIC

DOI: 10.17261/Pressacademia.2021.1519

PAP- V.14-2021(45)-p.158-159

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To cite this document

Mentes, H., Koy, A., (2021). Multibubbles in Borsa Istanbul retail stocks during Covid-19 pandemic (2021). PressAcademia Procedia (PAP), 14, 158-159.

Permanent link to this document: <http://doi.org/10.17261/Pressacademia.2021.1519>

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ABSTRACT

Purpose- Asset bubbles, which can be explained as the separation of financial asset prices from the random walk process, can be shown up in different financial markets. Tirole (1985) counts the three actors that cause bubbles: durability, scarcity and common beliefs. These common beliefs can also be associated with the behavioral finance approach. In the behavioral approach, bubbles are explained by herding behavior. Investors making similar decisions in the same directions do not mean that there is always a herding behavior. In the efficient markets, the information is available to all investors that they make transactions in the same direction by evaluating the information same. While the investors are rational, they make similar investment decisions. Buying or selling the same securities without a specific reason is defined as herding behavior. In this study, the existence of price bubbles in the stocks of companies traded in the BIST100 retail index related to the Covid-19 epidemic period is investigated.

Methodology- The study employs Sup Augmented Dickey Fuller (SADF) and Generalized Sup Augmented Dickey Fuller (GSADF) tests to investigate the presence of bubbles or date the bubbles. The period of the study is from January 2016 to September 2021.

Findings- The results of the SADF test identify price bubbles in all stocks except one, the GSADF test gives results indicating that there are bubbles in all stocks.

Conclusion- During the covid19 pandemic, both the sectoral reasons specific to the pandemic and the participation of many new investors in the financial markets caused high price movements in stocks and especially in the retail sector. This study explores asset bubbles during the covid19 pandemic. The results prove that there are single and multiple bubbles in the stocks in the BIST retail index.

Keywords: Bubble, covid19, retail, stock market

JEL Codes: G12, G14

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