

Abstract

Purpose

The purpose of this article is to examine the impact of panic and hysteria news on the volatility of microchip stocks during Covid-19.

Design/methodology/approach

The authors use the P-GARCH (1,1) and random effects regression to model/examine the impact of Covid-19 panic and hysteria news on the overall microchip sector and individual firms. They further utilize the SVAR model to examine volatility spill-over from the microchip sector to the automobile and main technology sectors. Their time frame ranges from 6th January 2020 to 30th June 2021 to capture the effects of both waves of Covid-19.

Findings

The study results firstly reveal that Covid-19 panic and hysteria news have tremendous potential to model the volatility of microchip sector stock thus confirming the information discovery hypothesis. The authors secondly demonstrate the influence of Covid-19 cases, deaths and policy stringency on stock returns of individual microchip companies in different countries. Finally the authors confirm the presence of volatility spill-over from the microchip sector to other technology sectors.

Research limitations/implications

The authors provide evidence to support the profundity of bad news in predicting stock behavior. The study results depict how Covid-19 has affected microchip stocks so that policy initiatives can be taken to protect the industry. The presence of volatility spill-over signifies the importance of diversifying portfolios by mixing technology and non-technology stocks.

Originality/value

The research strand on Covid-19 and individual sectoral stocks has received limited scholarly attention despite unparalleled effects of the pandemic on different sectors.