

The Impact of Monetary and Fiscal Stimulus on Stock Returns During the COVID-19 Pandemic

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Abstract

We contribute to the literature by investigating the impact of monetary and fiscal stimulus and exchange rate on stock returns during the COVID-19 pandemic in Australia, China, India, and Indonesia. By employing the machine learning approach, We find that monetary stimulus positively boosts the stock return of Indonesia. Contrary, fiscal stimulus adversely affected stock return in Australia. The exchange rate positively impacts stock return for both India and Indonesia during the COVID-19 pandemic. However, the findings from this study reveal that both monetary and fiscal stimulus have no effect on the stock market return in the case of China and India. Policymakers needs better strategy to counter the extreme events like pandemic. Our model is robust to the alternative model specification.

Keywords: *Monetary Policy, Fiscal Policy, Stock Return, Machine Learning, COVID-19*

JEL Codes: *G11; G15; G18*