

## Monetary Policy Application and Stock Market Reaction During COVID-19 Pandemic: Evidence from Turkey

**Özkan Haykır**

Niğde Ömer Halisdemir Üniversitesi, Türkiye  
ozkanhaykir@gmail.com

**Özlem Öztürk Çetenak**

Niğde Ömer Halisdemir Üniversitesi, Türkiye  
ozlemozturkcetenak@ohu.edu.tr

### Abstract:

We investigate whether the pandemic announcement and three monetary policy changes after that (reducing target interest rate) have an impact on the return, liquidity, and volatility in Turkish stock market. We find that there is a negative reaction to the pandemic announcement and the announcement of the first decline in interest rates, but we discover a positive reaction to the second and third reduction in interest rates in terms of stock return and liquidity. Moreover, stock return and liquidity of firms that are listed on the BIST-100 index and have associated derivatives are affected less by the pandemic. Results also suggest that the smallest, illiquid, volatile, and highly searched companies on Google are affected more by the pandemic announcement and the first decline in the interest rate.

**Keywords:** COVID-19, Liquidity, Volatility, Google Search, Monetary Policy

**JEL Codes:** G14, G15, E52