

COVID-19 impact on investor's behavior

Michał Łukowski

Poznań University of Economics and Business

Paweł Śliwiński

Poznań University of Economics and Business

Kamil Gemra

SGH Warsaw School of Economics

Janusz Maruszewski

Strefa Inwestorów

Piotr Zygmanski

INC

The paper investigates the changes to investor's profile on Warsaw Stock Exchange (WSE) before and during the COVID-19 pandemic. The dataset we used is based on the answers from two nationwide online surveys conducted in 2019 and during the coronavirus outbreak in 2020. We find evidence that the market situation observed in 2020 significantly changed the attitude toward portfolio management resulting in changes to investor's utility function and shaping their expectations.

The analysis we conducted on the volatility on WSE used MS GARCH models with two regimes to prove changes in volatility on the market, whi-

le our research on answers obtained in the surveys shows that risk aversion increased and a loss aversion dropped during the pandemic. Both these research analyzed together illustrate well the impact of the market crash in March 2020 on investor's preferences - an increase in risk aversion will result in faster closing of lossy and profitable positions, but the reduction of loss aversion means that investors would not be interested in maintaining lossy positions longer than profitable ones.