1. **TITLE:**
COVID-19, Firm Exposure, and Firm Value: A Tale of Two Lockdowns

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3. **ABSTRACT:**
We study how a public health crisis affects firms at different phases of outbreak. Using an event study approach, we find that the stock market in China responded significantly to two symbolic events in the outbreak of COVID-19: (1) the lockdown of Hubei province; and (2) the containment of the disease in China and its spread to overseas. It responded negatively (positively) to the first (second) event. Further regression analysis reveals that, following the first event, firms with Hubei exposures earned significantly lower returns while those with foreign exposures earned significantly higher returns. Foreign exposures, however, had significantly negative effects on returns following the second event. The valuation effects of Hubei and foreign exposures also vary across firm ownership and industries. Our results highlight the values and risks associated with having an international status. They also indicate that both within-firm internal networks and cross-firm input-output linkages play crucial roles in the propagation of shocks.

4. **DATA:**
To carry out our analysis, we combine data from several sources. The first source is the China Stock Market & Accounting Research (CSMAR) database, which provides detailed information about firm-level stock returns and financial data. The second source is the Chinese custom data which contains the universe of Chinese imports and exports transactions at the HS 8-digit product level. In addition, we also obtain firm-level foreign direct investment and subsidiary information from Financial Time’s fDi Markets database and CSMAR's Related Party Transaction database. Finally, we employ the China’ 2012 province-sector-level I-O table in the construction of our I-O based firm exposure measures. After removing financial firms and special-treated firms, our sample contains 2363 observations. Details of variable definitions and data sources are shown in Online Appendix Table A1, and summary statistics are reported in Online Appendix Table A2.

5. **JEL CODES:**
G10, F20, F14, I10

6. **KEY WORDS**
Covid-19, Event Study, Valuation Effect, International Status, Networks

7. **CITATION AND URL LINK:**