

## TESTING THE VALIDITY OF CAPM ON BUCHAREST STOCK EXCHANGE

**Florin BLAGA<sup>1</sup> ORCID: 0000-0001-8424-4755**  
**Dănuț-Georgian MIHAI<sup>2</sup> ORCID: 0000-0002-3273-9411,**  
**Ludovic-Cosmin TRIFU<sup>3</sup> ORCID: 0009-0009-8347-5020**  
**Antonela BICHIR-GHELASE<sup>4</sup> ORCID: 0009-0007-0535-2274**

***Abstract.** In this paper, we test the validity of CAPM hypothesis during COVID-19 period. Using 10 high-liquid securities traded on Bucharest Stock Exchange during February 2020 to April 2020, we estimate the baseline CAPM alongside two additional extensions controlling for COVID-19 related news and foreign stock exchange evolution. With only one exception, for all the securities included in the analysis, the CAPM is valid regardless the model specification, suggesting that during COVID-19 financial turmoils, the investors trading on Bucharest Stock Exchange had a rational behavior.*

**Keywords:** CAPM, Bucharest Stock Exchange, COVID-19, investor behavior.

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<sup>1</sup> The Bucharest University of Economic Studies, Bucharest, Romania, email: blaga.florin@yahoo.com

<sup>2</sup> The Bucharest University of Economic Studies, Bucharest, Romania, email: danut.mihai@fin.ase.ro, Corresponding author

<sup>3</sup> The Bucharest University of Economic Studies, Bucharest, Romania, email: ludovic.trifu@fin.ase.ro

<sup>4</sup> Valahia University of Târgoviște, Romania, email: antonela.bichir@yahoo.ro