How Novelty and Narratives Drive the Stock Market

Black Swans, Animal Spirits and Scapegoats

Nicholas Mangee

Appendix C
The Bloomberg News KU Stock Market Project

C.1 Introduction

The preceding chapters advanced the argument that narrative dynamics are associated with novel events, sentiment, and temporal instability in the processes driving stock market outcomes. The purpose of this project is to shed light on the relationships driving daily stock market prices through the identification of traditional fundamental, psychological, technical, and historically novel (KU) events all while allowing for unanticipated structural change at every point in time. Ultimately, you will compile a unique time series dataset of disaggregated factors' importance within these groups which you can apply to any stock market narratological analysis you wish. The possibilities of application are only bounded by your ideas and creativity.

More specifically, you will comb through *Bloomberg News* (or other financial news sources') stock market reports generated at the end of each trading day to conduct some news analytics. You will score the factors reported by business journalists, equity and hedge fund managers and other market professionals as driving investor trading decisions, and thus stock prices, on a given day. Our focus is based upon a rule-based approach in manual reading of the market wraps dubbed the "Mangee-Method." This approach has been employed by Mangee (2014, 2017, 2018, 2019), Frydman et al. (2015), Frydman and Goldberg (2011), and Mangee and Goldberg (2020). Select findings from these studies have been reported earlier in Chapters 4 and 11. Here, the analysis is primarily concerned with two tasks, (i) identifying which factors are mentioned in the reports as explicitly driving fluctuations in aggregate stock market prices (i.e. SP500, DJIA, NASDAQ) and the prices of firms within each index on a given day and (ii) determining the directional impacts the factor shares with the stock price (positive, factors and prices move in the same direction, or negative, they move in opposite directions).

This project is essentially a recording in an excel spreadsheet of a factor's reported importance for stock prices following the detailed classification rules and lexicon provided throughout this appendix. In your Excel spreadsheet (also provided), you will input a "0" (or simply leave the cell blank) if there is no mention of a factor driving stock price behavior on the day in question or a "1" if the relevant factor is explicitly mentioned as driving the daily stock price. If different factors within the same category are mentioned on the same day you may record a "2," or "3," and so on. Moreover, if the factor has a clear quantitative data series, say quarterly GDP, one can input a "+1"("-1") if the relevant factor is reported to share a positive(negative) relationship with the stock price. This delineation does not apply to psychological factors, technical trading factors, and some KU fundamental factors (i.e. Central Bank announcements). The scoring spreadsheet with disaggregated classifications, titled "Bloomberg_Classification," can be found at the author's website: https://www.taskstream.com/ts/mangee/NicholasMangee.

Now, completing task (i) takes some initial classification of the types of factors encountered in the wraps. The present value model implies that market fundamentals, such as earnings, dividends, and interest rates matter for stock prices. However, Shiller (1981) famously found that theorized stock prices (P^*) based on *ex post* dividends cannot explain the "excess" volatility observed in actual stock price movements (P). The following figure illustrates this stylized fact for the present value relation based on the SP500 Index from 1871 through 2015.

The persistent departures of stock market prices away from theorized values has led many economists, and non-economists alike, to conclude that stock prices are driven primarily by purely extraneous psychological considerations (fear, optimism, confidence, etc.) and momentum-related factors (herding, the January effect, trend chasing, etc.).

This project is based on the publication, "Knightian Uncertainty and Stock Price Movements: Why the REH Present Value Model Failed Empirically," by Frydman et al. (2015). The study, along with more information on the factor classification and scoring approach, can be found at, http://www.economics-ejournal.org/economics/journalarticles/2015-24. You are encouraged to review the appendix of this published paper for more examples from the *Bloomberg News* wraps using the Mangee-Method textual analysis approach.

The broad categories involving market fundamentals, psychological and technical considerations are discussed in detail below. Importantly, the Excel worksheet with the classification structure is already setup for you, column by column. Note that the column headings within the three broad categories are not set in stone - they are a useful guide to the possible range of categories you

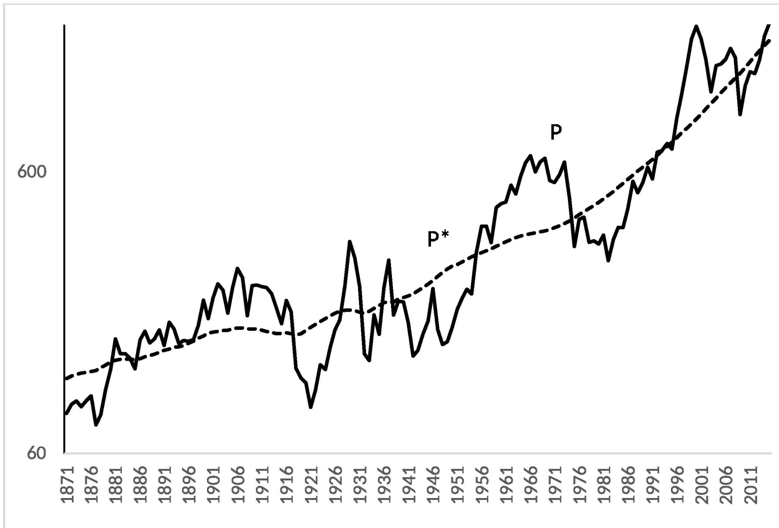

Figure C.1 *P* (solid line) represents the real SP500 Composite Index price. *P∗* (dashed line) represents the present value of future *ex post* real dividends accruing to ownership in a portfolio of 500 stocks from the SP500 discounted at a constant rate equal to the historical return of the index. Data are annual and adjusted for inflation based on the Consumer Price Index. Axes expressed on a logarithmic scale with base 10. All data from Robert Shiller's webpage. Source: Mangee and Goldberg (2020).

may encounter when reading the stock market reports. However, if you find a factor (fundamental, psychological, or technical) you may wish to add a new column category to reflect it in your spreadsheet. That said, as the spreadsheet is currently setup, the fundamental categories correspond to columns under the YELLOW "Fundamental Factors" banner, the psychological categories correspond to columns under the ORANGE "Psychological Factors" banner, and the technical trading categories correspond to columns under the GREY "Technical Factors" banner. The columns in bright RED under fundamentals represent historical, somewhat novel, or KU, factors. Download and familiarize yourself with this Excel spreadsheet as it is the baseline sheet you will use for the coding, and the preliminary analysis, of the textual data.

Once the scoring methodology and spreadsheet are understood and in place, you will need to access the *Bloomberg News* daily market wraps (or other textual financial news source). Go to your nearest *Bloomberg L.P.* terminal and in the input line on the top of any page type: "**NI USS BN**" and hit enter <GO>. The screen should populate rows of daily US stock market reports produced by *Bloomberg News*. You are looking for the "markets wrap" reports labeled after the headline for the report. Typically, the wraps are multiple pages long so don't forget to scroll down until you reach the end of the wrap! It is strongly encouraged that students read the entire wrap prior to any attempt at scoring the content. Note that you may download the wrap into a .txt file from the actions tab. An example of virtually every disaggregated factor is presented in the glossary at the end of this project worksheet.

C.2 Expectations and Prices

Addressing whether or not to score a "+/-1" for task (ii) requires a measure of expectations to determine the directional relationship an identified fundamental (conventional or KU) shares with stock price fluctuations. As previously explained, market participants' expectations of future outcomes (returns, cash flows, other fundamentals, etc.) determine the level of prices at each point in time. Consequently, revisions of these expectations drive movements in prices. The market reports contain information on whether these expectations tend to be revised upwards or downwards. For instance, stock prices can be expected to increase(decrease) because either earnings go up(down) (scenario "a" below) or because earnings increase(decrease) relative to expectations (scenarios "b" and "c"). Similarly, if the report stated earnings fell short of expectations investors may be disappointed pushing prices downward even though earnings increased in absolute terms (scenario "d"). Even earnings that decrease, but by less than expectations, can imply higher stock prices (scenario "e"). For these cases, the relationship between stock prices and earnings is positive and earnings would be recorded with a "+1." The opposite relationship involving earnings, or any fundamental, and stock prices would be recorded with a "-1." Rules for determining a factor's positive or negative directional relationship with stock are provided below in a-e and f-k, respectively.

Here is an outline for how to deal with the determination of a "+1" or "-1" once a factor (*X*) is mentioned as driving the stock price (*P*) on a given day. Remember, you only need to accurately identify and score what the *Bloomberg* report says drove the firm's and/or market's price on a given day. Any other text in the wrap is mostly irrelevant for your project insofar as it provides information above that which informs your scoring based on tasks (i) and (ii).

A "+1" is recorded for a fundamental factor (X) for any of the following five cases:

a. X increases(decreases) and P increases(decreases);
b. X increases by more than expected and P increases;
c. X decreases by more than expected and P decreases;
d. X increases but by less than expected and P decreases;
e. X decreases but by less than expected and P increases.

A -1 is recorded for a fundamental factor (X) for any of the following five cases:

f. X increases(decreases) and P decreases(increases);
h. X increases by more than expected and P decreases;
i. X decreases by more than expected and P increases;
j. X increases but by less than expected and P increases;
k. X decreases but by less than expected and P decreases.

C.3 Fundamental Considerations

A fundamental is any factor that affects the present value of cash flow prospects over short- or long-term horizons. There are two types of fundamentals (i) repetitive, conventional or routine such as GDP, earnings, employment or consumption data releases and (ii) non-repetitive, novel KU factors such as management shake-ups, new production processes, a merger announcement, or bankruptcy. As shown throughout this book, stock markets recieve news on both categories of fundamental factors every day. Consider the following excerpt from a *Bloomberg News* market wrap report illustrating the importance of both types of fundamental factors for stock prices,

> "U.S. stocks rose as $35 billion in acquisitions and Merck & Co.'s better-than-forecast earnings carried the Standard & Poor's 500 Index and Dow Jones Industrial Average to the steepest gains in a week...GlobalSantaFe Corp., the second biggest offshore oil and gas driller, climbed to a record after agreeing to be bought by larger rival Transocean Inc. Merck, the third-largest U.S. drugmaker, had its biggest advance since April and accounted for almost a third of the Dow average's rally." [July 23, 2007]

From this excerpt, you would score a "+1" for earnings announcements and a "+1" for mergers and acquisitions. But remember, you need to read the whole market wrap, not just the first paragraph! The disaggregated conventional market fundamentals and KU fundamentals that you may encounter are listed here.

C.3.1 Repetitive

Economy: GDP, GDP forecasts, Index of Leading Economic Indicators, Industrial Production, Productivity, Purchasing Managers Index, Personal Income, Service Sector Activity, Non-Farm Jobs, Unemployment Rate, Jobless Claims, Private Investment, Retail Sales National, Business Confidence, Manufacturing Index/Activity, Factory Orders, Consumption, Private Credit, Household Credit, Durables Output, Nondurables Output, Construction Spending, Consumer Spending, Consumer Confidence

Interest Rates: Federal Funds, Discount, Treasury Bill, Treasury Note, Treasury Bond

Inflation rates: Producer Price Index, Consumer Price Index, Manufacturing Price Index, Employment/Cost Index, Core Inflation, GDP Deflator

Earnings: Earnings Announcements, Earnings Forecast Announcements, Dividend Announcements, Dividend Forecast Announcements

Sales: Firm/Industry Revenue, Auto Sales

Oil: Crude Oil Price, OPEC Oil Supply

International Trade/Flows: Balance of Payments, Exports, Imports, Current Account, Capital Account

Housing: Housing Starts, Home Sales, New Home Sales, Mortgage Rates

Government: Federal Budget Surplus/Deficit, State/Local Budget Surplus/Deficit

Central Bank: Minutes

C.3.2 Non-Repetitive KU Fundamentals

KU: Bankruptcy, Executive Turnover/Health, Legal/Accounting Issues, Firm Added to Index, Executive Salary Issues, Assets, Reorganization/Spinoffs/Partnership, Liabilities/Debts, Share Issuances, IPOs, Business Spending, Mergers, Acquisitions, Accident/Recall, New Products/Production Processes, Insider Trading, Credit Ratings, Resource Discovery/Exploration, Labor Layoffs/Strike/Union, CEO/CFO Comments, Purchase/Sale of Large Stake, Stock Split, Share Buyback, Exchange Rates, FX Intervention, Gap form Benchmark, Overvalued, Undervalued, Trade Agreements/Negotiations, Tariffs, Quotas, Subsidies, Foreclosures, Home Prices, Real Estate Prices, Commercial prices, Fiscal Policy, Comments by Officials, Stimulus Plan, Industry Regulation, Taxes/Rules on CEO Bonuses, Government Shutdown, Impeachment, Military Spending, Austerity Measures, Credit Worthiness/Rating, Bailout/Nationalization of Private Firms, Healthcare Issues, Political Elections, Political Conflict/Instability/Corruption, Congressional Testimony, Financial Reform, Cabinet Changes, Financial Leverage/Credit Issues, Liquidity Issues, Credit Card Defaults, Firm Credit Ratings, Capital Funding, Monetary Policy, MacroPrudential Policy, Commodity Prices, Armed Conflicts/Embargoes, Border Control/Immigration Policy, Travel Bans, Transportation, Nuclear Testing, Terrorism, Natural Disasters, Endemic/Pandemic, Climate Change/Pollution, Crime/Assassination/Shooting, Protests, Civil Unrest, Analyst Comments/Ratings

An example excerpt is provided for most of the disaggregated fundamental factors below. If the *Bloomberg* wraps mention that a firm's or the market's stock price movement for a given day was driven by one or more of these disaggregated factors you will score a "+1" or "-1" (or "2",...) depending on the reported directional relationship with prices. Otherwise, you will record a "0" or simply leave the cell blank. Again, the *Bloomberg* Classification Excel spreadsheet may be expanded to include more fundamentals than what are listed.

C.4 Psychological Considerations

There are two classifications involving the ways in which psychology may matter for stock price fluctuations: (i) pure psychological considerations such as stand-alone fear, euphoria or panic and (ii) psychological considerations mentioned in conjunction with fundamentals such as a better-than-expected economic report giving confidence to investors. Consider the following excerpt involving pure psychology, that is, without fundamentals:

"U.S. stocks slid...'This is what happens when the contagion of fear spreads,' said Quincy Krosby, who helps manage about $380 billion as chief investment strategist at the Hartford in Hartford, Connecticut." [October 9, 2008]

For this excerpt, a "1" would be recorded for "fear." Or you may read, for instance,

“I do think it’s mania,” said Ned Riley, chief investment officer at BankBoston Corp., which oversees $26 billion. ‘Anytime stocks appreciate 30 to 50 percent in a day, it’ the greater fool theory. People think there will always be someone who will pay a higher price.’ [April 21, 1998]

Here, you would score “1” for “mania” and no mention of fundamentals. Other examples for pure psychological consideration are provided in the glossary. The psychological factors that you may encounter are listed here.

Psychological Considerations: Concern, Confidence, Crowd Psychology, Emotion, Euphoria, Exuberance, Fear, Greed, Mania, Optimism, Overreaction, Panic, Pessimism, Psychology, Sentiment, Underreaction, Worry.

Alternatively, you may encounter an excerpt involving psychological considerations with fundamentals such as,

“U.S. stocks rose for a second day, after Federal Reserve Chairman Alan Greenspan fueled optimism for a growing economy and higher company profits.” (July 23, 1997).

Here one would record “Central Bank Comments” with a “1” and “psychology with earnings” and “psychology with economy” with a “1.” There is also a column titled “Psychology with fundamentals” for simplified scoring if you do not wish to track each detailed psychological consideration mentioned in conjunction with a particular fundamental.

C.5 Technical Considerations

Technical factors are factors that involve past price movements or effects that may correspond to certain months or days of the week. Consider the following two excerpts:

“U.S. stocks rose as...some of the buying came from ‘momentum’ traders, who buy stocks that are going up in order to realize a quick gain. ‘Its just money chasing stocks at this point, anticipating the market making a new high and then carrying forward on its own momentum,’ said Joseph De-Marco, head of trading at HSBC Asset Management Americas Inc." [July 8, 1998]

"U.S. stocks rose...[t]he so-called January effect was in evidence as communications equipment stocks, the worst-performing group in the major indexes last year, rose." [January 3, 2002]

The first excerpt would score a "1" for "momentum traders" and "market momentum." The second excerpt would score a "1" for the January effect. The technical factors that you may encounter are listed here.

Technical Considerations: Firm/Industry/Index Stock Prices, Profit Taking, Market Rally, Market Momentum, Holiday Effect, Momentum Traders, January Effect, Bandwagon, End of Month Effect, Price-to-Price Loop, End of Quarter Effect, Moving Average, End of Year Effect, Chartism, RSI, Support Indicators, Advance-Decline Ratios, Monday Effect, Milestones, Market Highs, Friday Effect, Giving Back Effect, Triple/Quadruple Witching, Price Target Announcements

C.6 Remarks on Excel Scoring and Preliminary Analysis

This section offers a few notes and tips for scoring and initially assessing the *Bloomberg News* KU Stock Market Project using the "Mangee-Method" in Excel. Of course, you can, and should, explore a wide range of ways to transform your raw data which coincide with your research hypotheses. First, it may be obvious, but make sure that you input the date in column "A" for every wrap report that you score. Aside from dating when each factor mattered for driving stock prices, this will have the secondary advantage of having a column for count data on the number of trading days each week, month, quarter, or year since many, in fact most, of the cells for each daily row will be empty (or set equal to zero, if you wish).

Second, it is useful to record the net movement in the broad market indices from market open to close. For instance, if the *Dow Jones Industrial Average*, *SP500 Composite Index* and *NASDAQ* all increased in value from the day's opening to close, you would record a +1 for columns "B," "C" and "D," respectively. However, be careful as market indices do not always move in the same direction each day. Tracking the net movement in the broad index prices can be used to assess which sets of factors mattered on bullish versus bearish days over time. Moreover, it is much easier to score the price movement while you are collecting the data and the necessary information is included in the wrap report.

Third, you may wish to construct aggregated measures for the variables - aggregate fundamentals, aggregate psychology, aggregate technical, and aggregate KU. This is especially relevant for fundamental and KU considerations which have numerous disaggregated factors within their categorical classification. One way to approach this is to generate new columns in your Excel spreadsheet reflecting count data of how many events occurred for a particular aggregate category. Alternatively, you could determine if at least one factor in an aggregate category mattered for stock prices on a given day. These columns will be based on "count" and "if-then" commands in Excel.

C.7 Glossary of News Factor Examples

This section provides alphabetized classification of nearly all disaggregated factors, fundamental, psychological, and technical trading, that are mentioned by *Bloomberg News* journalists in driving stock market and firm prices into their broader categories. A specific example of each, along with scoring for the category in question, is provided. Note, novel events are occurring virtually every day in the stock market. Consequently, the following textual excerpt examples are not exhaustive of every sub-category that you may encounter in your own project incorporating the Mangee-Method into news analytics. Furthermore, there is often more than one consideration present in a single excerpt, but only single factors are being identified in the following glossary.

C.7.1 Fundamental Considerations

Benchmark Valuation

Gap from benchmark levels

"U.S. stocks fell in a late-day slide amid concern that share prices may have overshot earnings prospects...The Standard and Poors 500 index is trading at 19 times 1997 earnings, based on a Zacks Investment research survey, 25% higher than its average price-to-earnings ratio of 15.2 since 1980." (-1 for Gap from Benchmark Levels)

Overvalued

"Investors are looking for a reason to sell," said Gene Grandone, director of investment counseling at the Northern Trust Co., which oversees $130 billion. "With the market in the 7900 area, people see a market that is a little rich."...Many investors are uncomfortable with the markets price to earnings ratio which is near the high end of its historic range." (-1 for overvalued)

Undervalued
"Bank of America, the largest U.S. bank by assets, jumped 9.3 percent to $12.99 after Whitney told CNBC it was the 'cheapest' U.S. bank. The shares are trading at less than 23 times profit over the past 12 months, compared with price-to-earnings valuation of 35 for JPMorgan Chase & Co. and 33 for Goldman Sachs" (-1 for undervalued)

Central Bank Communications
Comments by officials
"U.S. stocks had their biggest gain in two months after Federal Reserve policy makers said economic growth is poised to accelerate and reiterated a plan to raise borrowing costs at a 'measured' pace to contain inflation" (+1 for Comments by Officials)

Macroprudential Policy
"U.S. stocks fell for a fourth day amid concern economic growth is slowing and the Federal Reserve will boost capital requirements for the nation's largest banks" (-1 for Macroprudential Policy)

Minutes
"U.S. stocks erased an initial rally in the year's first day of trading after the Federal Reserve showed growing concern that the economy will slow and inflation will rise. Minutes from the Dec. 12 meeting of Fed policy makers said the central bank's "predominant concern" is rising prices and the chance of an economic slowdown is increasing" (+1 for Central Bank Minutes)

Company Variables
Bankruptcy
"General Motors Corp. dropped 11 percent after saying bankruptcy is more probable than previously thought." (-1 for bankruptcy)

Financial Ratio
"Bear Stearns had its credit-rating outlook cut to negative by S&P on concern declining prices for mortgage-backed securities will decrease earnings...Stocks fell to their lows of the day after the firm said its return on equity in July may be close to the lowest ever and borrowing costs may slow mergers and acqui-

sitions." (+1 for Financial Ratios)

Business spending

Prices got a boost from optimism that an improving U.S. economy would spur business spending and corporate profits, which exceeded analysts' estimates on average for the second quarter." (+1 for Business Spending)

CEO or CFE comments

"Benchmark indexes rebounded from losses after MBIA Inc. Chief Executive Officer Gary Dunton's comments sparked a rally in bank shares." (+1 for Company Variables)

IPOs

"Steelmakers jumped on speculation that U.S. Steel Corp., the country's largest producer, may be a takeover target. Nymex Holdings Inc., owner of the world's biggest energy market, had the largest gain for an initial public offering in 15 months." (+1 for IPOs)

Labor layoff or strike

"United Technologies Corp., a supplier of helicopters and jet engines to the military, retreated 1.2 percent after saying the shutdown would lead to as many as 5,000 temporary layoffs." (-1 for Labor Layoffs)

Legal or accounting issues

"U.S. stocks added to a weeklong rally, sending the Dow Jones Industrial Average to its longest winning streak in a year, after Altria Group Inc. and other tobacco companies won the right to head off a lawsuit seeking $200 billion." (-1 for Legal/Accounting Issues)

Credit issues/ratings

"Bear Stearns had its credit-rating outlook cut to negative by S&P on concern declining prices for mortgage-backed securities will decrease earnings. The perceived risk of owning the New York-based company's bonds rose to the highest in at least six years." (-1 for Credit issues/ratings)

Mergers and acquisitions

"U.S. stocks rose, lifted by takeover proposals from Duke Energy Corp. and E*Trade Financial Corp." (+1 for Mergers and Acquisitions)

Share buyback

"Coke gained 2.8 percent as profit benefited from cost-cutting efforts, while GM rose 4.2 percent on buyback speculation." (+1 for Share buyback)

Firm added to index
"Google Inc. climbed after being picked to join the Standard & Poor's 500 Index." (+1 for Firm added to index)

Stock split/stock sale
"Companies announcing share sales frequently decline because the additional stock dilutes the value of existing equity and reduce earnings per share. 'The market moving more towards concern about dilution may be a positive in terms of investors' outlook on the overall economy because they are less concerned with balance-sheet issues and more concerned with earnings issues," said Joseph Veranth, who oversees $2.2 billion as chief investment officer at Dana Investment Advisors in Brookfield, Wisconsin." (+1 for Stock split)

Currency Markets
Exchange rates
"U.S. stocks rose, with the Dow Jones Industrial Average reversing a 184-point drop, as the euro's rebound from a four-year low bolstered optimism that the shared European currency will weather the region's debt crisis." (+1 for Exchange rates)

Earnings/Dividends
Earnings
"U.S. stocks suffered their biggest loss since the Oct. 27 market rout as Russia's debt defaults and weakening currency sent markets around the world tumbling, raising the prospect of a slump in corporate earnings." (+1 for Earnings)

Earnings announcement
"U.S. stocks rose as $35 billion in acquisitions and Merck & Co.'s better-than-forecast earnings carried the Standard & Poor's 500 Index and Dow Jones Industrial Average to the steepest gains in a week." (+1 for Earnings announcement)

Earnings forecast announcement
"U.S. stocks fell, after DuPont Co., the largest U.S. chemicals company, warned that second-quarter earnings will be below analyst forecasts." (+1 for Earnings forecast announcement)

Dividend announcements

"Texas Instruments Inc. increased 2 percent on plans to boost its dividend. Texas Instruments gained 2 percent to $24.06. The second- largest U.S. chipmaker said it plans to raise its quarterly dividend 1 cent to 12 cents a share. The new dividend will be payable Nov. 16 to stockholders of record on Oct. 30." (+1 for Dividend announcements)

Financial Institutions

Capital funding

"U.S. stocks rose, led by banks and energy shares, as forecasts that General Electric Co. has enough capital and oil's surge sent the Dow Jones Industrial Average up more than 150 points in the final 35 minutes of trading." (+1 for Capital funding)

Credit card defaults

"U.S. stocks dropped, sending the Dow Jones Industrial Average to a six-year low, as Hewlett-Packard Co. cut its profit forecast and concern about rising credit-card defaults dragged financial shares to the lowest level since 1995." (-1 Credit card defaults)

Credit ratings

"Ambac Financial Group Inc. and MBIA Inc., the two biggest U.S. bond insurers, retreated on concern their AAA credit ratings will be revoked." (-1 for Financial credit ratings)

Leverage or credit issues

"This is a major credit crunch worldwide, and the banks are at the hub of it," said Isabelle Merton, a European fund manager who helps look after $5 billion in assets for ABN Amro Asset Management in London. (-1 for Financial leverage or credit issues)

Liquidity issues

"U.S. stocks tumbled as subprime mortgage contagion and hedge fund losses halted a three-day rally and sent brokerage shares to their worst rout since 2002.[There is]'Liquidity Panic'...'What happened with Libor is clearly evidence of a liquidity panic in really what should be the most efficient part of the markets," said John Lewis, who helps manage about $150 million at Sweetwater Asset Management LLC in Columbus, Ohio. "That's going to be reason for concern for everybody in just about every asset class." (-1 for Liquidity issues)

Geopolitical Issues

Armed conflicts

"U.S. stocks erased losses as increasing violence in Ukraine sent oil prices to the biggest increase in a month and spurred a rally in energy producers." (-1 for Armed conflict)

Nuclear testing/deal

"The Standard & Poor's 500 Index fell, after seven consecutive weekly gains that lifted the gauge to a record, as energy shares retreated following Iran's agreement to limit its nuclear program." (-1 for Nuclear issues)

Terrorism

"Speculation that the U.S. will raise the terror alert level sent prices to the day's lows." (-1 for Terrorism)

Government and Fiscal

Bailout or nationalization of banks

"The government-chartered companies, the largest sources of financing for U.S. home loans, still fell to 17-year lows on concern they will require a bailout that could wipe out shareholders." (-1 for Bailout/Nationalization of Firm)

Budget surplus or deficit

"U.S. stocks fell, halting a two-day gain in the Standard & Poor's 500 Index, as concern about the federal budget debate erased a rally led by Home Depot Inc." (-1 for Budget surplus/deficit)

Comments by official

"Citigroup Inc. and JPMorgan Chase & Co. added at least 5.8 percent after Treasury Secretary Timothy Geithner said there are signs that financial markets are recovering." (+1 for Comments by officials)

Credit worthiness

"Moody's Investors Service, which placed a negative outlook on the U.S.'s Aaa grade in August, said in a statement today that the nation's rating would likely be cut to Aa1 if negotiations between lawmakers fail to produce policies that reduce the percentage of debt to gross domestic product." (+1 for Credit worthiness)

Financial reform

Changes in financial regulation 'really could be good for the markets,' Peter Sorrentino, a senior portfolio manager at Huntington Asset Management, which oversees $15 billion in Cincinnati, said in an interview on Bloomberg Television. "It could restore confidence and it could bring investors back into the marketplace." (+1 Industry reform)

Fiscal policy or stimulus plan
"U.S. stocks surged in the biggest two-day global rally in 38 years as the government announced plans to purge banks of bad assets and crack down on speculators who drove down shares of financial companies..."What the government and its regulatory agencies have tried to do here is restore some confidence and remove some fear," Robert Doll, chief investment officer of global equities at New York-based BlackRock Inc., which manages $436 billion in stocks, told *Bloomberg* Television." (+1 for Stimulus)

Healthcare policy issues
"Humana Inc. jumped 5.5 percent as health-care providers rallied the most among 10 groups in the S&P 500, after medical insurers won an increase in a key Medicare payment rate." (+1 for Healthcare issues)

Political instability, conflict or corruption
"When your government is in total (political) turmoil, your confidence goes down the chute," said Cummins Catherwood, a managing director of Philadelphia-based Rutherford, Brown & Catherwood, which oversees $570 million. "When your confidence goes down the chute, you're not going to pay 30 times earnings for GE." (-1 for Political instability)

Political elections
"U.S. stocks advanced in the biggest presidential election day rally in 24 years...'The market has come to the conclusion that Armageddon is off the table,' said Philip Orlando, who helpds manage $330 billion as chief equity strategist at Federated Investors Inc. in New York. 'The elimination of the uncertainty of the campaign typically results in an end-of-the-year rally and you're starting to see that today." (+1 for Political elections)

Taxes or rules on CEO bonuses
"The early slide in banks came after Wall Street chief executives including Citigroup Inc.'s Vikram Pandit, JPMorgan's Jamie Dimon, and Bank of Bank of America's Ken Lewis were questioned by Congress yesterday about their lending under the Troubled Asset Relief Program. "Seeing these CEOs being put through the ringer isn't confidence-inspiring to potential investors,"

said Richard Sichel, who oversees $1.3 billion as chief investment officer at Philadelphia Trust Co. in Philadelphia. "People are looking for earnings, but talking about bonuses and corporate jets isn't what future earnings is all about." (-1 for CEO compensation)

Housing

Commercial real estate/prices

"U.S. stocks rose, sending the Standard & Poor's 500 Index up for a fourth day, as easing concern over real-estate losses and gains in retail sales bolstered confidence the economic recovery will be sustained. Zions Bancorporation jumped 11 percent and financial shares in the S&P 500 extended their advance this week to 6.4 percent as Morgan Stanley analysts said commercial real-estate losses will not be a major drag on the economy." (+1 for Real estate)

Foreclosures

"Pulte Group Inc. declined 3.9 percent as foreclosures reached a record." (-1 for Foreclosures)

Home prices

"A measure of homebuilders in Standard & Poor's indexes jumped 3.8 percent as housing prices dropped at the slowest pace in more than a year." (+1 for Housing prices)

Home sales

"U.S. stocks rose for a fourth day as a bigger-than-estimated increase in pending sales of existing homes overshadowed concern that the market's recent rally has made American equities too expensive..."The factors that have helped stocks over the past several months are still in tact in terms of today's news," said Dean Gulis, part of a group that manages $2.5 billion for Loomis Sayles & Co. in Bloomfield Hills, Michigan." (+1 Home Sales)

Housing starts

"PulteGroup Inc. and D.R. Horton Inc. fell at least 2.3 percent as housing starts slumped in April." (+1 for Housing starts)

Mortgage rates

"Homebuilders such as D.R. Horton Inc. gained as the jobs data suggested mortgage rates won't climb enough to choke off demand." (-1 for Mortgage rates)

Commodities prices/gold prices

Commodity prices

"Alcoa Inc. and ConocoPhillips dropped at least 2.1 percent following a decline in commodities prices after the World Bank said China may raise interest rates further." (+1 for Inflation Rates)

Inflation Rates

Consumer prices

"U.S. stocks tumbled the most since January after the latest government report on inflation shocked investors and increased speculation that the Federal Reserve may have to keep raising interest rates and restrain the economy...Exxon Mobil Corp. and Alcoa Inc. paced a selloff in commodity producers, the market's top performers this year, after government figures showed consumer prices rose more in April than economists forecast..." (-1 for Consumer prices)

Employment cost

"U.S. stocks soared after a government report showed new jobs and wages grew less than expected in May." (-1 for Employment cost)

GDP deflator

"U.S. stocks surged for a second day after a government report showed the economy's growth hasn't sparked a higher inflation rate, buoying optimism that the Federal Reserve won't raise interest rates dramatically next monthStocks rallied after the Commerce Department estimated the economy expanded at a 3.4% annual rate in the third quarter, surpassing economists' expectations of 2.8% growth. More important, the report's implicit price deflator, a barometer of inflation rose at an annual rate of 1.6%, down from a 2.9% pace in the second quarter." (-1 for GDP deflator)

Manufacturing prices

"Stocks also declined as reports on wholesale prices and industrial production spurred concern the Federal Reserve will unwind stimulus measures. The government said producer prices climbed 1.8 percent in November, more than twice the median economist estimate in a survey." (-1 for Manufacturing prices)

Producer prices

"U.S. stocks rallied, sending the Standard & Poor's 500 Index to its biggest gain since April, after a government report showed producer prices rose less than expected in July, indicating inflation is in check even as the economy grows." (-1 for Producer prices)

Interest Rates

Discount

"Nine of 10 industry groups in the Standard & Poor's 500 Index dropped after Fed Chairman Ben S. Bernanke said he may increase the discount rate on loans to banks." (-1 for Discount rates)

Federal funds

"U.S. stocks rallied the most in five years as...the Federal Reserve cut its benchmark rate." (-1 for Federal funds rate)

Treasury bill

"Goldman Sachs Group Inc. and Morgan Stanleyplunged the most ever. Yields on three-month Treasury bills...and a measure of corporate borrowing costs surged above the level seen during the crash of 1987." (-1 for Treasury bill yield)

Treasury bond

"The decline in interest rates ignited the stock market's rally and then computer buy orders kicked in," said Jon Groveman, president of Ladenburg, Thalmann & Co. "The market just took off when long-term interest rates fell below 7%," he said. (-1 for Treasury bond yield)

Treasury note

"U.S. stocks rallied, led by banking and energy shares, as a decline in 10-year Treasuries eased concern record government debt sales will trigger higher borrowing costs and oil climbed to a six-month high." (-1 for Treasury bond yield)

International Trade

Tariffs

"General Electric Co. and Boeing Co. fell after the government imposed new tariffs on Chinese imports, heightening concern trade tensions will strain U.S. exports." (-1 for Tariffs)

Trade agreements

"U.S. stocks closed higher, as confidence in the economy was bolstered by expectations the North American Free Trade Agreement will pass and better-than-expected semiconductor sales for October." (+1 for Trade agreement)

Macroeconomic Activity

Construction spending

"U.S. stocks rose, sending the Dow Jones Industrial Average to a record, as biotechnology and energy companies rallied and data on construction spending boosted confidence in the economy." (+1 for Construction spending)

Consumer confidence

"U.S. stocks fell for a fourth day in five as disappointing manufacturing and consumer confidence reports stoked concern that economic and profit growth will slow." (+1 Consumer confidence)

Consumer spending

"U.S. stocks rose for the first day in four as a report showing an increase in consumer spending bolstered confidence that the economy and earnings will grow fast enough to warrant further gains in benchmark indexes." (+1 for Consumer spending)

Durables output

"U.S. stocks gained after the government said orders for everything from computers to air conditioners rose in July, exceeding economists' forecasts..." (+1 for Durables output)

Economy

"There are competing forces at work out there, and the one that's winning today is that the economy is extraordinarily robust and that's a good environment for corporate earnings.." (+1 for Economy)

Employment

"U.S. stocks soared after a government report showed new jobs and wages grew less than expected in May." (+1 for Employment)

Factory orders

"U.S. stocks advanced, with the Standard & Poors 500 Index rebounding from its biggest drop since June, as investors assessed corporate earnings and data showing factory orders fell less than estimated in December." (+1 for Factort orders)

GDP growth

"U.S. stocks fell, [after] the government reported first-quarter economic growth was slower than previous estimates..." (+1 for GDP growth)

Index of leading economic indicators
"Stocks opened higher...Gains accelerated after the Conference Board's index of leading economic indicators climbed 1.2 percent..." (+1 for Index of leading economic indicators)

Industrial production
"Stocks also declined as reports on wholesale prices and industrial production spurred concern the Federal Reserve will unwind stimulus measures. U.S. industrial production increased 0.8 percent in November, more than estimated and the most in three months." (-1 for Industrial production)

Jobless claims
"U.S. stocks fell, trimming the market's biggest yearly gain since 2003, as a decrease in jobless claims added to evidence the economy is improving enough to allow the Federal Reserve to withdraw more stimulus..." (-1 for Jobless claims)

Manufacturing activity "U.S. stocks dropped, leaving the Dow Jones Industrial Average with its first weekly decline since June, as...a gauge of manufacturing fell short of economists' forecasts." (+1 for Manufacturing activity)

Personal income
"Share prices were also hurt by a government report showing consumers' incomes increased less than forecast in July." (+1 for Personal income)

Productivity
"U.S. stocks surged, sending the Dow Jones Industrial Average to its biggest gain since July, as jobless claims and worker productivity beat estimates..." (+1 for Productivity)

Retail sales national level
"U.S. stocks fell, sending the Standard & Poor's 500 Index to a fourth straight loss, as a decline in American retail sales and slump in copper prices spurred concern that global growth is slowing." (+1 for Retail sales national)

Service sector activity
"U.S. stocks fell, dragging the Standard & Poor's 500 Index down from a nine-month high, after reports on job losses and service industries were worse than economists estimated...Equities extended losses as the Institute for Supply

Management's index of non-manufacturing businesses, which make up almost 90 percent of the economy, fell to 46.4 from 47 in June. Fifty is the dividing line between growth and contraction." (+1 for Service sector activity)

Unemployment rate
"Stocks retreated after the Labor Department said the economy lost 44,000 jobs last month, the sixth straight decline, and the unemployment rate fell to 6.2 percent from 6.4 percent in June. On average, economists predicted the creation of 10,000 jobs and a jobless rate of 6.3 percent, according to a Bloomberg poll." (+1 for Unemployment rate)

Oil Market
Crude oil prices
"The U.S. stock market posted its first advance in four days after a rally in oil prices improved earnings prospects for fuel producers..." (+1 for Crude oil prices)

Oil supply
"Exxon Mobil Corp. and Schlumberger Ltd. led gains in all 39 Standard & Poor's 500 Index energy shares after oil topped $65 a barrel as OPEC left production quotas unchanged." (+1 for Oil supply)

Rest of World
All of the disaggregated fundamental factors for foreign
"U.S. stocks suffered their biggest loss since the Oct. 27 market rout as Russia's debt defaults and weakening currency sent markets around the world tumbling..."(+1 for Rest of World)

Sales
Auto sales
"General Motors Co. jumped 3.6 percent after a surprise sales gain in the auto industrys best month since July 2006." (+1 for Auto sales)

Firm or industry revenues
"U.S. stocks fell, finishing their fourth losing week in five, after Goldman, Sachs & Co. said demand for semiconductor equipment may weaken..." (+1 for Firm sales)

C.7.2 Psychological Considerations - with and without Fundamentals

Concern
"People are nervous about Brazil, and when they have a serious concern they sell the biggest gainers," said Anthony Conroy, director of equity trading at BT Global Asset Management..." (+1 for Concern)

Confidence
"When your government is in total turmoil, your confidence goes down the chute," said Cummins Catherwood, a managing director of Philadelphia-based Rutherford, Brown & Catherwood, which oversees $570 million. "When your confidence goes down the chute, you're not going to pay 30 times earnings for GE." (+1 for Confidence (and Government))

Crowd psychology
"Feels like we're on the edge of a panic to me," said Jeffrey Saut, who oversees $33.7 billion as chief investment strategist at Raymond James & Associates in St. Petersburg, Florida. "In our business, psychology is everything and psychology has changed real quick on Wall Street." (+1 for Psychology)

Fear/pessimism
"And fear plays a role. "The market goes through waves of euphoria and pessimism," said Victor Niederhoffer, an independent trader in Weston, Connecticut. "During pessimism, people refuse to take anything for granted, and they hurt companies with a speculative component to their values like computer companies." (+1 for Fear/pessimism)

Exuberance
"U.S. stocks surged, pushing the Dow Jones Industrial Average through 8000...It's a time of great exuberance for investors. All mountains have peaks." (+1 for Exuberance)

Fear
"People have lost faith in everything," said Philip Orlando, who helps manage $350 billion as chief equity market strategist at Federated Investors Inc. in New York. "We're dealing with an investment community of atheists right now. Valuations no longer matter."..."This is what happens when the contagion of fear spreads," said Quincy Krosby, who helps manage about $380 billion as chief investment strategist at the Hartford in Hartford, Connecticut. "No one

is paying attention to fundamentals. People are very, very scared. Ultimately investors decide to sell." (+1 for Fear)

Mania

"Internet mania carried Lycos Inc., Yahoo! Inc. and Egghead.com Inc. to all-time highs." (+1 for Mania)

Optimism

"Prices got a boost from optimism that an improving U.S. economy would spur business spending and corporate profits, which exceeded analysts' estimates on average for the second quarter." (+1 for Psychology with Macroeconomic Activity and Dividends or Earnings)

Overreaction

"Stocks tumbled for a second week as investors questioned whether the Federal Reserve will lift rates too far to curtail inflation. "There's definitely an overreaction in the market," said Ben Halliburton, who manages $430 million as chief investment officer of Tradition Capital Management in Summit, New Jersey. "Inflation remains well under control." (+1 for Overreaction with Inflation rates)

Panic -"Some people are starting to say, 'Get me out at any price.' We've started to see some panic, which feeds on itself. People who bought in the first two weeks of the year have sizable losses in these." (+1 for Panic)

Sentiment

"The market is driven primarily by trader and investor emotion and sentiment," Michael James, a Los Angeles-based managing director of equity trading at Wedbush Securities Inc., said in a phone interview. All thats going to remain consistent in the short term is that volatility is going to continue and that you're going to have significant swings just based on trader sentiment, without any specific data points." (+1 for Emotion/sentiment)

Underreaction

"Today's decline 'is a delayed reaction to Greenspan's comments from yesterday," said Peter Coolidge, head of equity trading at Brean Murray & Co. "Investors are starting to take to heart that interest rates are going higher, and that's bad for stocks." (+1 for Undereaction)

Worry

"The consumer prices report is scaring people up a bit," said Tom Schrader, head of listed trading at Legg Mason Wood Walker Inc. in Baltimore. "Sometimes you get the psychology during earnings season that this is as good as it's going to get. People are worrying that the Fed's moves are going to slow the economy." (+1 for Psychology with Interest Rates and Macroeconomic Activity)

C.7.3 Technical Trading Momentum Considerations

Bandwagon
"The stock market also was buoyed by the surge of demand that often accompanies the end of a quarter, traders said. "...institutions don't want to get caught with too much cash. They're paid to invest it. A lot of people are scrambling to mask some of that performance or just jump on the bandwagon," he said. "We all do it." (+1 for Bankdwagon)

Chartism
"We walked our way up to that level again and then when Bernanke got done talking, we didn't go through it," Tapley said. "Since we're not going up, we've got to go down. It seems to me like it's technical-driven." (+1 for Chartism)

Market momentum
"It's just money chasing stocks at this point, anticipating the market making a new high and then carrying forward on its own momentum," (+1 for Momentum)

Momentum traders
"The Nasdaq extended gains after 1 pm surging more than 2 percentage points in an hour, as 'momentum' investors, or those who make short term bets on a stock's direction, rushed to buy shares, traders said." (+1 for Momentum traders)

Moving average
"International Business machines Corp. led the Dow average's drop after falling below its 50-day moving average...accounting for all of the Dow average's decline." (+1 for Moving average)

C.7.4 Technical Trading Non-Momentum Considerations

End-of-quarter effect
"The stock market also was buoyed by the surge of demand that often accompanies the end of a quarter, traders said. Institutions don't want to get caught with too much cash," said Peter DaPuzzo, senior managing director at Cantor, Fitzgerald & Co. "They're paid to invest it." (+1 for End-of-quarter effect)

End-of-year effect
"We saw no fundamental reason for that drop," said Michael Nasto, the senior trader at U.S. Global Investors Inc., which manages about $2.5 billion in San Antonio. "We did see some large selling at the close. That could be for a variety of reasons as we approach the year-end." (+1 for End-of-year effect)

Friday effect
"Analysts said today's rout was accentuated by the day of the week on which it occurred. Many U.S. investors cut their exposure to stocks ahead of the weekend rather than gamble that the status quo in Asia would be maintained. "Here it is Friday afternoon; (investors) don't know what they might be looking at over the weekend, and they've decided to sell." (+1 for Friday effect)

Giving back effect
"U.S. stocks declined today, breaking a string of record highs in 1994, as investors cashed in gains before tomorrow's crucial report on wholesale prices. It's a predictable backlash," said Jim Benning, a trader at BT Brokerage. "We were up so much in the past few days." (+1 for Given back effect)

Holiday effect
"Most of the losses occurred in the last hour of the session, as investors took advantage of the last full day of trading before the Christmas holiday to raise cash by locking in gains or selling stocks that have declined." (+1 for Holiday effect)

January effect
"Money typically flows into the market in early January from year-end bonuses and reinvestments by investors who sold stocks or mutual funds for tax purposes late the previous year...Cash is coming in and we're putting the money right to work." (+1 for January effect)

Firm added to index

"Today, everything was exaggerated by the volatility due to the Russell rebalance. It's a once-a-year event and we will probably erase it on Monday." (+1 for Firm added to index)

Profit taking
"You had two euphoric days on Thursday and Friday, so it's not surprising to see some profit-taking," said Altabef of Matix Asset Advisors. (+1 for Profit taking)

Triple witching
"U.S. stocks closed broadly lower after a sell-off triggered by today's quarterly expiration of stock options and stock-index options and futures sent the market reeling in the final hour." (+1 for Triple witching)