Questions for Week 3:

What caused the decrease in stock prices in 2011?

The decrease in stock prices in 2011 was primarily caused by the following factors:

European debt crisis: The debt crisis in Europe had a major impact on global financial markets in 2011. Concerns about the stability of the European Union and the possibility of a sovereign debt default led to a flight to safety, with investors selling stocks and moving their money into safer assets such as US Treasury bonds.

Slow economic growth: The US and global economies were recovering slowly from the financial crisis of 2008-2009, and growth was weaker than expected in 2011. This led to concerns about the strength of corporate profits, which weighed on stock prices.

Political uncertainty: There was a high degree of political uncertainty in 2011, both in the US and internationally. In the US, there was a contentious debate over the debt ceiling, which led to a downgrade in the country's credit rating. Internationally, there were concerns about political instability in the Middle East and North Africa.

Natural disasters: 2011 saw a number of major natural disasters, including the earthquake and tsunami in Japan and flooding in Thailand. These events disrupted supply chains and led to higher costs for companies, which also impacted stock prices.

All of these factors combined to create a general sense of pessimism and uncertainty in the financial markets, which contributed to the decrease in stock prices in 2011.

What caused the increase in stock prices in 2016-2017?

There were several factors that contributed to the increase in stock prices during 2016-2017:

Strong economic growth: The US economy grew at a steady pace during this period, and this growth was reflected in corporate profits, which boosted stock prices.

Low interest rates: The Federal Reserve kept interest rates low during this period, which made it easier for companies to borrow money and invest in their businesses.

Expectations of tax cuts: Investors anticipated that the new Trump administration would introduce tax cuts, which would increase corporate profits and drive up stock prices.

Reduced regulation: The Trump administration also promised to reduce regulations on businesses, which would lower their costs and boost profits.

Strong earnings reports: Many companies reported strong earnings during this period, which gave investors confidence in the strength of the economy and the stock market.

Positive investor sentiment: Investors were generally optimistic about the future of the economy and the stock market during this period, which drove up stock prices.

What caused the decrease in stock prices in 2018?

The decrease in stock prices in 2018 was caused by a combination of factors, including:

Trade tensions: The ongoing trade tensions between the US and China, which started in early 2018, created uncertainty and volatility in the markets. Investors were concerned about the potential impact of tariffs and other trade restrictions on global economic growth.

Rising interest rates: The Federal Reserve raised interest rates several times in 2018, which made borrowing more expensive for businesses and consumers. This raised concerns about the potential impact on corporate profits and economic growth.

Tech sell-off: Technology stocks, which had been driving much of the market's gains in the previous years, experienced a sell-off in the second half of 2018. Investors became concerned about the high valuations of some tech companies and the potential for increased regulation.

Political uncertainty: Political uncertainty in the US and other countries also contributed to the market's decline in 2018. In the US, there were concerns about the impact of the midterm elections and ongoing investigations into the Trump administration. Internationally, there were concerns about Brexit and other geopolitical risks.

Slower global growth: The global economy started to slow down in 2018, with weaker growth in Europe and China. This contributed to concerns about the strength of corporate earnings and the potential for a global recession.

All of these factors combined to create a sense of uncertainty and volatility in the financial markets, which led to the decrease in stock prices in 2018.