Stock Analysis - Black Friday

Date: 15th of November 2022

“Black Friday” is the name given to the **first day after the Thanksgiving**, which is one of the most significant shopping and spending events in United States.

Every holiday season, forecasters make estimates regarding the volume of Black Friday sales, and whether or not those expectations are met or surpassed may have an impact on market confidence, which also creates volatility for the relevant stocks’ prices.

Investors can get their first hint that this holiday shopping season is going to be especially lucrative if consumers spend a lot on Black Friday and shops report strong sales. The stock prices of retailers who report higher than expected sales can demonstrate this confidence.

With the recent report of **U.S. Consumer Price Index (CPI)** showing that inflation is at **9-months low with 7.7% as of 10th of November**, investors already have high expectations from this year’s Black Friday sales.

Black Friday for 2022 will start at 25th of November.

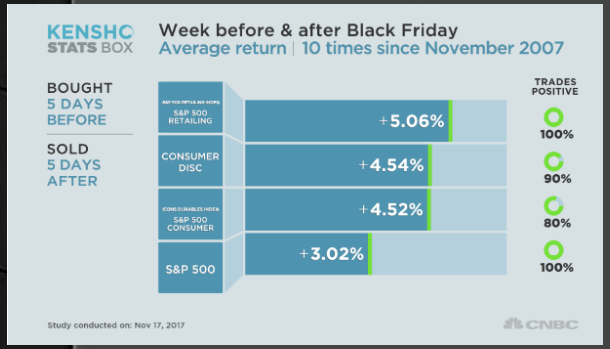
Although the term “Black Friday” is attributed to many different events in history of finance, it’s been used since 1975 to signify the “the busiest shopping and traffic day of the year” due to highly promoted sales and discounted prices by retail stores during this time of the year.

Many analysts point to the fact that Black Friday has little to no effect on the stock value on a long term trend, yet it affects the stocks on a short period, making the event especially preferable by traders looking for quicker gains.

From 2007 to 2017, a grouping of S&P 500 retail stocks posted a **5% return**, compared to the average 3% return for the S&P 500 over that period. For all 10 years, this basket of retail stocks has traded positively for the **10-day period**.

Trend continued with the S&P 500 Retailing Industry Group outperforming the S&P 500 by **1.5% and 0.1%** during that period in 2018 and 2019, respectively.

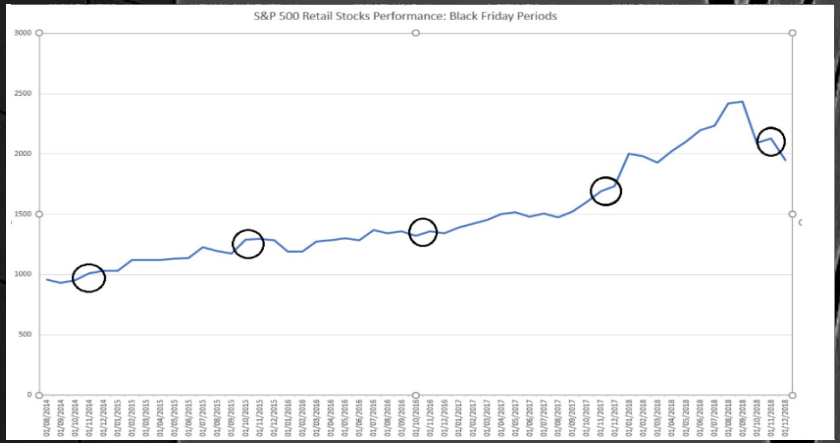
This pattern didn’t continue in 2020 due to Covid-19 pandemic, when the S&P 500 returned 4.1% but the retailing industry group only returned **2.2%**.



When it comes to stocks of e-commerce companies, investors also track the Monday after the weekend of Black Friday that is commonly referred as "**Cyber Monday**", which marks the end of the 5-day shopping period.

Since it's the period that consumers go back to work and continue their shopping online, it's also a notable day for retail industry and a key indicator of the consumer sentiment.

A strong or weak Black Friday-through-Cyber Monday period has a big impact on retail and e-commerce stocks, but the volatility is not known to be significant enough to sway broader stock market sentiment.



Here the details for an example portfolio with the selected stocks can be reviewed

Change in price for the stocks on 2 years of data

Investment Amount:						$100,000		Allocation:		50%		
Name Of Stock	Ticker	High	Low	Close	Pivot	Allocation to %	Units	Price	Margin	Take Profit	% Increase	Profit up to
AMAZON.COM, INC. (XNAS:AMZN)	AMZN	$ 100.12	$ 97.29	$ 100.79	$ 99.40	25%	635	$98.49	$12,500	$104.40	6%	$3,750
EBAY INC. (XNAS:EBAY)	EBAY	$ 46.89	$ 45.85	$ 46.51	$ 46.42	25%	1361	$45.91	$12,500	$49.12	7%	$4,375
VISA INC. (XNYS:V)	V	$ 209.17	$ 203.21	$ 205.00	$ 205.79	17%	205	$206.86	$8,500	$217.20	5%	$2,125
MASTERCARD INCORPORATED. (XNYS:MA)	MA	$ 344.51	$ 336.02	$ 339.29	$ 339.94	15%	110	$339.37	$7,500	$356.34	5%	$1,875
Alibaba Group Holding Limited (XNYS:BABA)	BABA	$ 74.00	$ 71.32	$ 70.77	$ 72.03	18%	631	$71.36	$9,000	$75.64	6%	$2,700
Total						100%		Total Margin	$50,000	Total Potential Profit		$14,825

Source: Yahoo Finance

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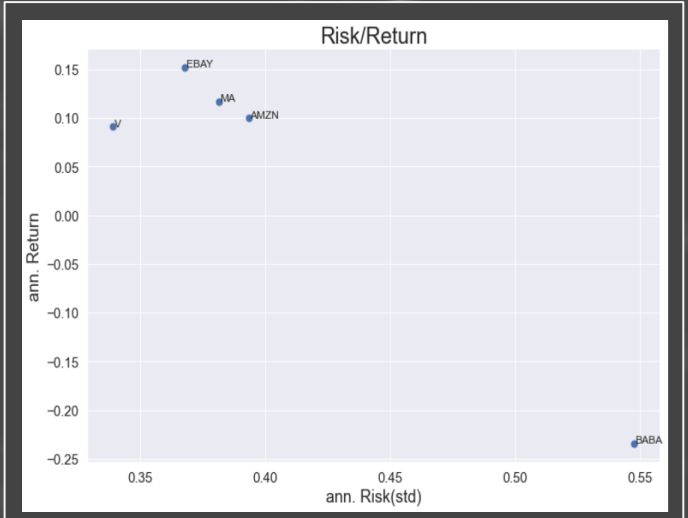
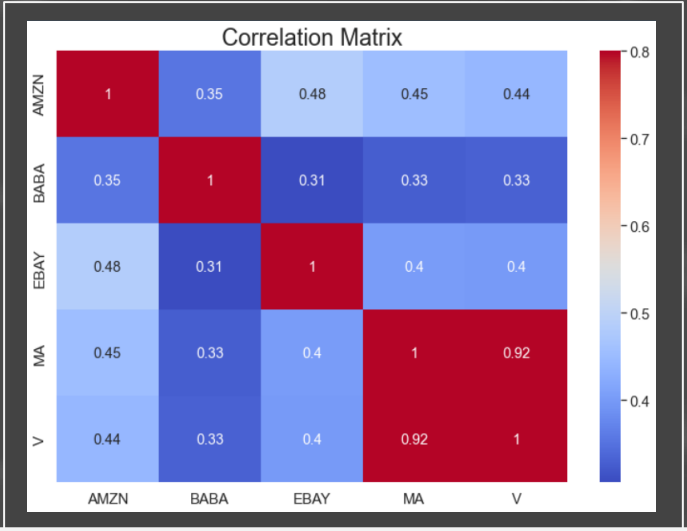
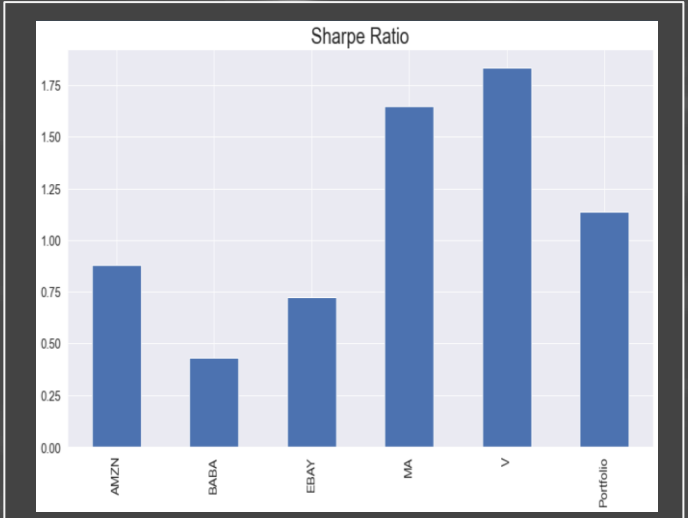
Portfolio Calculations and Chart Outputs



Annual Risk/Return

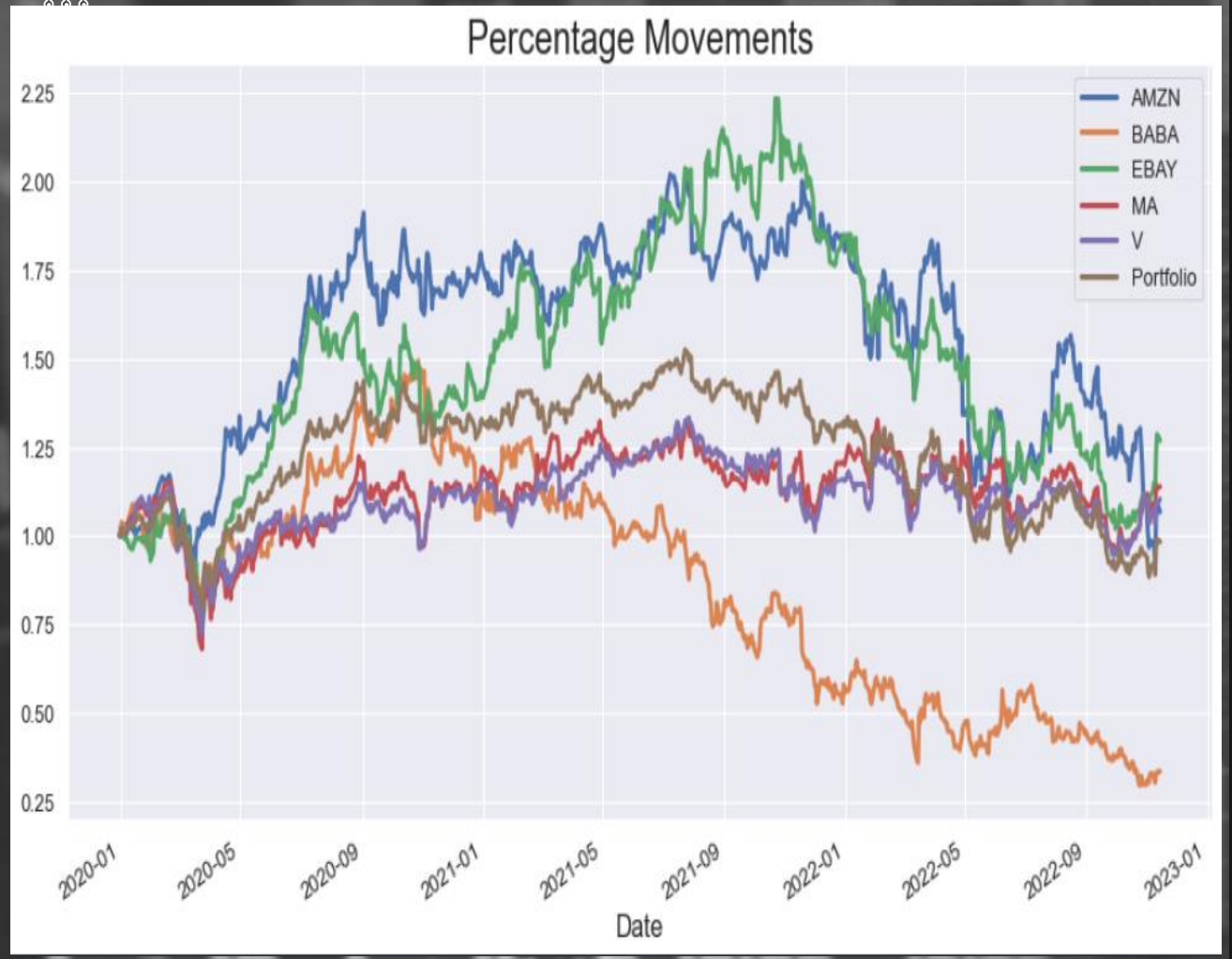


Correlation Matrix Heatmap



Sharpe Ratio > 1.15

Selection of Individual Assets



Important Note: Stock data usually shows gaps in short timeframes, mostly caused by fundamental events that cause major changes in price when markets are typically closed. Such gaps in data are generally disregarded, bearing in mind that past performance doesn't guarantee future results.

We will utilize the assets below in this example, also explaining the reasons for their selection in 4 years of data:

Amazon (AMZN) : Largest online retail and **#2 most valuable brand** ranked by Interbrand in 2021, with a market cap of $1 trillion. Expected to be the primary driving force in this year's Black Friday.

AliBaba (BABA) : Being the Chinese equivalent of the e-commerce giant and a direct competitor in the market with $1.6 trillion market cap, company's stock is primed for a rebound on sales recovery with its cheap stock price. It's risk in value basis is balanced with stocks of its competitors' and the financial services.

eBay Inc. (EBAY) : American multinational e-commerce company, with an impressive track record of beating Earnings estimates in each season since mid-2018.

Mastercard (MA) : One of the global leaders in online payment services and technologies with a market cap of $326 billion, expected to prompt a revenue increase in line with retail on the Black Friday season.

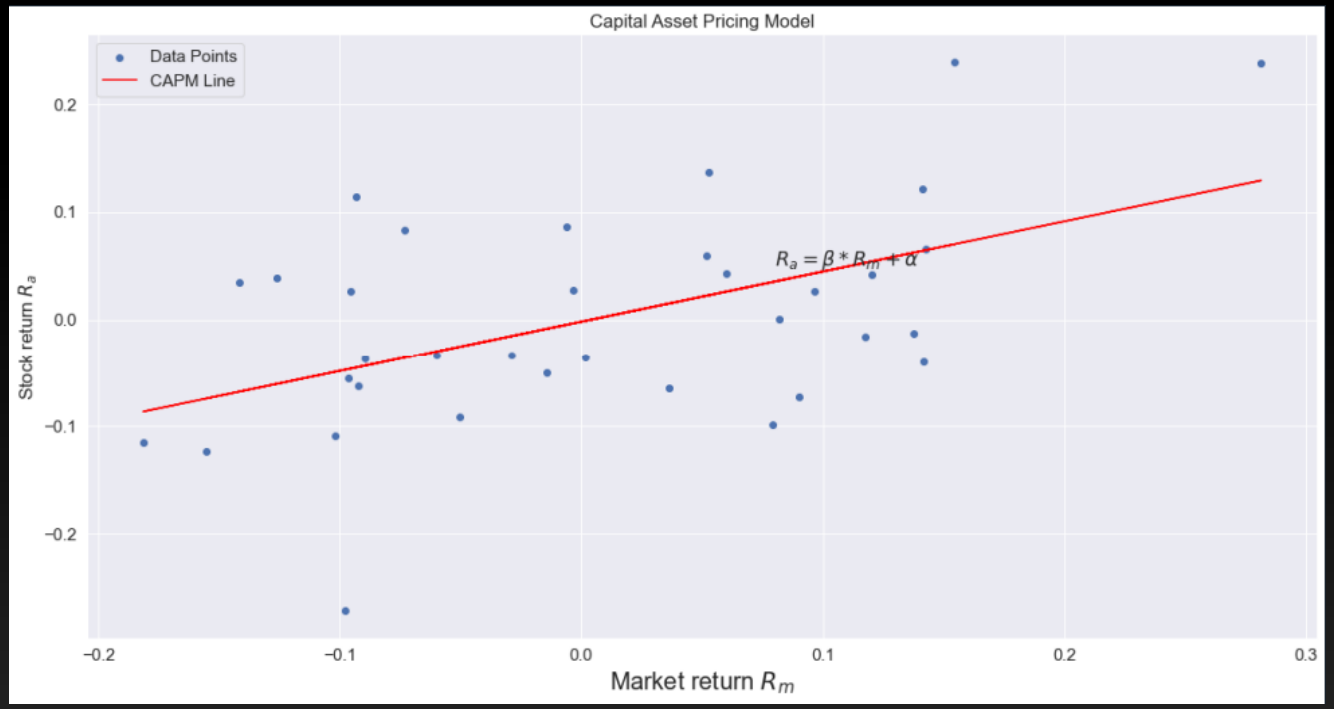
Visa Inc. (V) : Another global leader in financial services with a market cap of $427 billion, its high correlation is to be utilized in line with the expectations towards retail sales.

Portfolio : Utilizing this basket of stocks that is **strong on retail and financial services** has shown to be effective in limiting the drawdown of market overall and aims to make use of the discount on AliBaba stock as well. Portfolio is proven to be able to limit the downside volatility of Covid-19 crash of 2020.

Overall: Unsystematic risk is hedged to the point of holding **~10% in profits** as of October, also proving successful in limiting the drawdown on **BABA** at the start of Covid-19 pandemic. Expected to provide further gains in short term.

Any downward movement in the current market conditions can be dynamically hedged with **dollar index** to keep the overall drawdown of portfolio to minimum and extend the period that investors would hold their positions.

Capital Asset Pricing Model (CAPM) with 2 years of data



Utilization of Capital Asset Pricing Model (CAPM) to determine potential short-term returns shows:

Expected Returns : **~6.52%**
Volatility (Beta) : **0.46 (<1)**

- In CAPM model, returns of a portfolio over time is compared with the **risk-free rate**, where generally **10-Year Treasury Yields** are used as the premium.
- Volatility below 1 is obtained, meaning that portfolio risk is ~54% less than the index of **S&P500**.

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Value Analysis approach shows the overall financial performance of the company to give investors an idea about the growth potential for the stock.

Summary:

Amazon.com, Inc. engages in the retail sale of consumer products and subscriptions in North America and internationally. The company operates through three segments: **North America**, **International**, and **Amazon Web Services (AWS).**

It sells merchandise and content purchased for resale from third-party sellers through physical and online stores. The company also manufactures and sells electronic devices, including Kindle, Fire tablets, Fire TVs, Rings, and Echo and other devices; provides Kindle Direct Publishing, an online service that allows independent authors and publishers to make their books available in the Kindle Store; and develops and produces media content.

Further, the company provides compute, storage, database, analytics, machine learning, and other services, as well as fulfillment, advertising, publishing, and digital content subscriptions.

Additionally, it offers Amazon Prime, a membership program, which provides free shipping of various items; access to streaming of movies and series; and other services.

Amazon.com, Inc.'s **ISS Governance Quality Score** as of October 1, 2022 is **10** (High Risk).

The pillar scores are;
Audit: **3**
Board: **8**
Shareholder Rights: **2**
Compensation: **10**

Major Holders
Breakdown

9.84%	% of Shares Held by All Insider
59.89%	% of Shares Held by Institutions
66.42%	% of Float Held by Institutions
5,251	Number of Institutions Holding Shares

Top Institutional Holders

Holder	Shares	Date Reported	% Out	Value
Vanguard Group, Inc. (The)	689,093,882	Jun 29, 2022	6.75%	67,868,854,966
Blackrock Inc.	587,459,057	Jun 29, 2022	5.76%	57,858,841,268
State Street Corporation	326,727,487	Jun 29, 2022	3.20%	32,179,389,496
Price (T.Rowe) Associates Inc	311,971,394	Jun 29, 2022	3.06%	30,726,061,928
FMR, LLC	302,056,199	Sep 29, 2022	2.96%	29,749,514,394

Environment, Social and Governance (ESG) Risk Ratings

Total ESG Risk score	Environment Risk Score	Social Risk Score	Governance Risk Score
30 64th percentile High	5.6	14.8	9.9

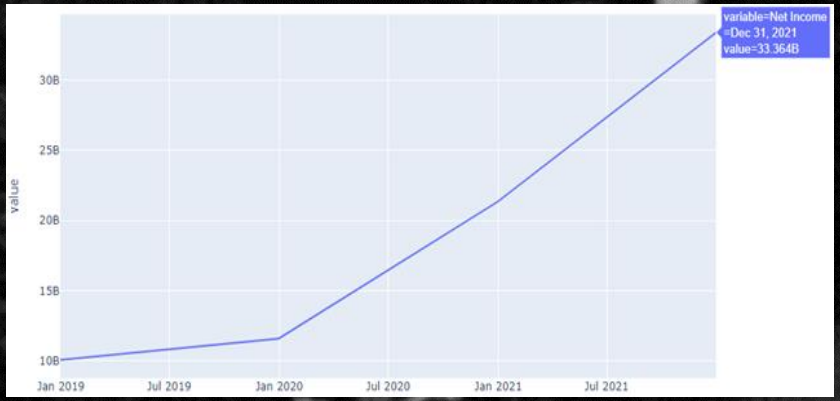
Controversy Level — AMZN, Peers, Category Average

3 **Significant Controversy level**

None — Severe

ESG data provided by Sustainalytics, Inc. Last updated on 8/2022

Percentage of shares held by institutions and the details for the top-5 holders can be reviewed above, along with the details of ESG score for **High Risk**.



AMZN has shown an increasing trend in **Net Income in billions** and larger **stock percentage returns** compared to S&P500, USD Index and 10-Year Treasury Bonds, between 2018 and 2022.

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Summary:

Alibaba Group Holding Limited, through its subsidiaries, provides technology infrastructure and marketing reach to help merchants, brands, retailers, and other businesses to engage with their users and customers in the People's Republic of China and internationally. The company operates through seven segments: China Commerce, International Commerce, Local Consumer Services, Cainiao, Cloud, Digital Media and Entertainment, and Innovation Initiatives and Others.

It operates Taobao Marketplace, a social commerce platform; Tmall, a third-party online and mobile commerce platform for brands and retailers; Alimama, a monetization platform; 1688.com and Alibaba.com, which are online wholesale marketplaces; AliExpress, a retail marketplace; Lazada, Trendyol, and Daraz that are e-commerce platforms; Freshippo, a self-operated retail chain; and Tmall Global, an import e-commerce platform. The company also operates Taoxianda, an online-offline integration service for FMCG brands and third-party grocery retail partners; Cainiao Network logistic services platform; Ele.me, an on-demand delivery and local services platform; Koubei, a restaurant and local services guide platform; and Fliggy, an online travel platform.

In addition, it offers pay-for-performance, in-feed, and display marketing services; and Taobao Ad Network and Exchange, a real-time online bidding marketing exchange. Further, the company provides elastic computing, storage, network, security, database and big data, and IoT services. Additionally, it operates Youku, an online video platform; Alibaba Pictures and other content platforms that provide online videos, films, live events, news feeds, literature, music, and others; Amap, a mobile digital map, navigation, and real-time traffic information app; DingTalk, a business efficiency mobile app; and Tmall Genie smart speaker.

The company was incorporated in 1999 and is based in Hangzhou, the People's Republic of China.

Alibaba Group Holding Limited's **ISS Governance Quality Score** as of November 15, 2022 is **N/A**.

Major Holders
Breakdown

0.01%	% of Shares Held by All Insider
15.51%	% of Shares Held by Institutions
15.51%	% of Float Held by Institutions
1,830	Number of Institutions Holding Shares

Top Institutional Holders

Holder	Shares	Date Reported	% Out	Value
Goldman Sachs Group Inc	25,339,930	Jun 29, 2022	0.96%	1,807,497,253
Primecap Management Company	17,367,887	Jun 29, 2022	0.66%	1,238,851,411
Dodge & Cox Inc	14,174,270	Sep 29, 2022	0.54%	1,011,050,705
HSBC Holdings Plc	13,699,627	Jun 29, 2022	0.52%	977,194,418
GQG Partners LLC	11,988,648	Jun 29, 2022	0.45%	855,150,283

Sustainability data is currently not available for BABA.

Percentage of shares held by institutions and the details for the top-5 holders can be reviewed above.

BABA has shown a weakened trend in **Net Income in billions** and low **stock percentage returns** compared to S&P500, USD Index and 10-Year Treasury Bonds, between 2018 and 2022.

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Summary:

eBay Inc. operates marketplace platforms that connect buyers and sellers in the United States and internationally.

The company's Marketplace platform includes its online marketplace at ebay.com and the eBay suite of mobile apps. Its platforms enable users to list, buy, sell, and pay for items through various online, mobile, and offline channels that include retailers, distributors, liquidators, import and export companies, auctioneers, catalog and mail-order companies, directories, search engines, commerce participants, shopping channels, and networks.

The company was founded in 1995 and is headquartered in San Jose, California.

eBay Inc.'s **ISS Governance Quality Score** as of November 1, 2022 is **3** (Low Risk).

The pillar scores are;
Audit: **3**
Board: **2**
Shareholder Rights: **3**
Compensation: **8**

Major Holders
Breakdown

0.90%	% of Shares Held by All Insider
89.81%	% of Shares Held by Institutions
90.63%	% of Float Held by Institutions
1,326	Number of Institutions Holding Shares

Top Institutional Holders

Holder	Shares	Date Reported	% Out	Value
Vanguard Group, Inc. (The)	53,238,065	Jun 29, 2022	9.81%	2,444,159,556
Blackrock Inc.	44,222,134	Jun 29, 2022	8.15%	2,030,238,165
State Street Corporation	24,471,606	Jun 29, 2022	4.51%	1,123,491,427
Comprehensive Financial Management, LLC	16,697,010	Jun 29, 2022	3.08%	766,559,726
FMR, LLC	15,682,788	Sep 29, 2022	2.89%	719,996,794

Environment, Social and Governance (ESG) Risk Ratings

Total ESG Risk score	Environment Risk Score	Social Risk Score	Governance Risk Score
17 16th percentile Low	0.9	9.3	6.8

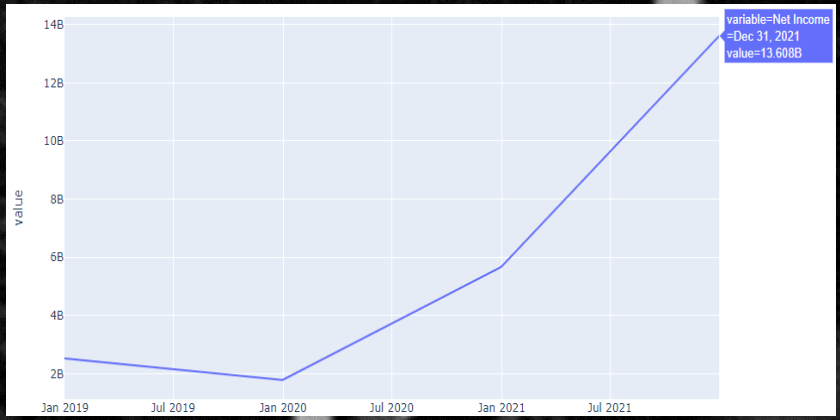
Controversy Level — EBAY, Peers, Category Average

2 **Moderate Controversy level**

None — 4 — Severe

ESG data provided by Sustainalytics, Inc. Last updated on 8/2022

Percentage of shares held by institutions and the details for the top holders can be reviewed above, along with the details of ESG score for **Low Risk**.



EBAY has shown an increasing trend in **Net Income in billions** and moderate **stock percentage returns** compared to S&P500, USD Index and 10-Year Treasury Bonds, between 2018 and 2022.

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Summary:

Mastercard Incorporated, a technology company, provides transaction processing and other payment-related products and services in the United States and internationally. It facilitates the processing of payment transactions, including authorization, clearing, and settlement, as well as delivers other payment-related products and services.

The company offers integrated products and value-added services for account holders, merchants, financial institutions, businesses, governments, and other organizations, such as programs that enable issuers to provide consumers with credits to defer payments; prepaid programs and management services; commercial credit and debit payment products and solutions; and payment products and solutions that allow its customers to access funds in deposit and other accounts.

The company offers payment solutions and services under the MasterCard, Maestro, and Cirrus. Mastercard Incorporated was founded in 1966 and is headquartered in Purchase, New York.

Mastercard Incorporated's **ISS Governance Quality Score** as of October 28, 2022 is **1** (Low Risk).

The pillar scores are;
Audit: **3**
Board: **2**
Shareholder Rights: **2**
Compensation: **2**

Major Holders
Breakdown

10.97%	% of Shares Held by All Insider
78.52%	% of Shares Held by Institutions
88.19%	% of Float Held by Institutions
3,403	Number of Institutions Holding Shares

Top Institutional Holders

Holder	Shares	Date Reported	% Out	Value
Vanguard Group, Inc. (The)	76,691,380	Jun 29, 2022	8.04%	26,026,753,256
Blackrock Inc.	64,361,891	Jun 29, 2022	6.75%	21,842,494,634
State Street Corporation	33,726,304	Jun 29, 2022	3.54%	11,445,695,623
Price (T.Rowe) Associates Inc	26,909,008	Jun 29, 2022	2.82%	9,132,109,913
FMR, LLC	23,862,246	Sep 29, 2022	2.50%	8,098,130,308

Environment, Social and Governance (ESG) Risk Ratings

Total ESG Risk score	Environment Risk Score	Social Risk Score	Governance Risk Score
17 16th percentile Low	0.3	8.1	8.6

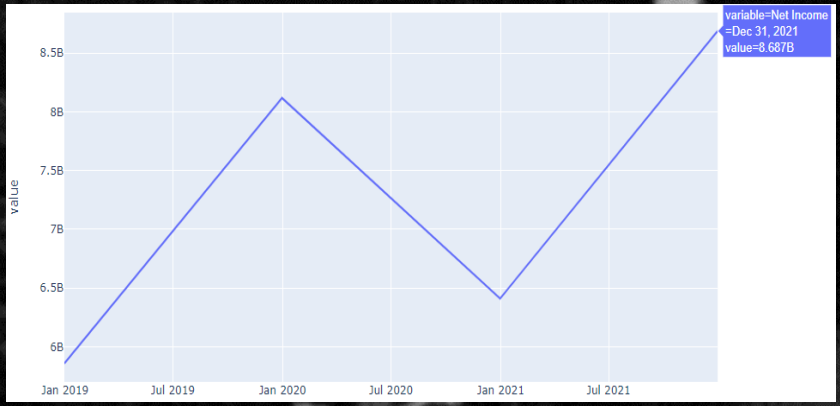
Controversy Level — MA, Peers, Category Average

4 **High Controversy level**

None — Severe

ESG data provided by Sustainalytics, Inc. Last updated on 8/2022

Percentage of shares held by institutions and the details for the top-5 holders can be reviewed above, along with the details of ESG score for **Low Risk**.



MA has shown an increasing trend in **Net Income in billions** and larger **stock percentage returns** compared to S&P500, USD Index and 10-Year Treasury Bonds, between 2018 and 2022.

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Summary:

Visa Inc. operates as a payments technology company worldwide. The company facilitates digital payments among consumers, merchants, financial institutions, businesses, strategic partners, and government entities.

It operates VisaNet, a transaction processing network that enables authorization, clearing, and settlement of payment transactions. In addition, the company offers card products, platforms, and value-added services. It provides its services under the Visa, Visa Electron, Interlink, VPAY, and PLUS brands. Visa Inc. has a strategic agreement with Ooredoo to provide an enhanced payment experience for Visa cardholders and Ooredoo customers in Qatar.

Visa Inc. was founded in 1958 and is headquartered in San Francisco, California.

Visa Inc.'s **ISS Governance Quality Score** as of October 28, 2022 is **5** (Moderate Risk).

The pillar scores are;
Audit: **10**
Board: **5**
Shareholder Rights: **2**
Compensation: **4**

Major Holders
Breakdown

0.18%	% of Shares Held by All Insider
97.09%	% of Shares Held by Institutions
97.26%	% of Float Held by Institutions
4,265	Number of Institutions Holding Shares

Top Institutional Holders

Holder	Shares	Date Reported	% Out	Value
Vanguard Group, Inc. (The)	144,324,365	Jun 29, 2022	8.83%	29,854,938,231
Blackrock Inc.	124,167,901	Jun 29, 2022	7.59%	25,685,372,076
State Street Corporation	70,756,456	Jun 29, 2022	4.33%	14,636,680,531
Price (T.Rowe) Associates Inc	51,261,821	Jun 29, 2022	3.14%	10,604,020,323
FMR, LLC	47,996,077	Sep 29, 2022	2.94%	9,928,468,517

Environment, Social and Governance (ESG) Risk Ratings

Total ESG Risk score	Environment Risk Score	Social Risk Score	Governance Risk Score
16 13th percentile Low	0.7	7.8	7.5

Controversy Level — V, Peers, Category Average

3 Significant Controversy level

None — 4 — Severe

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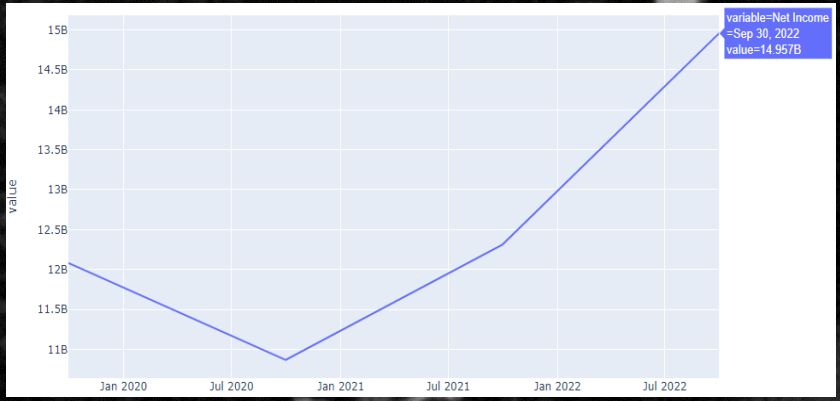
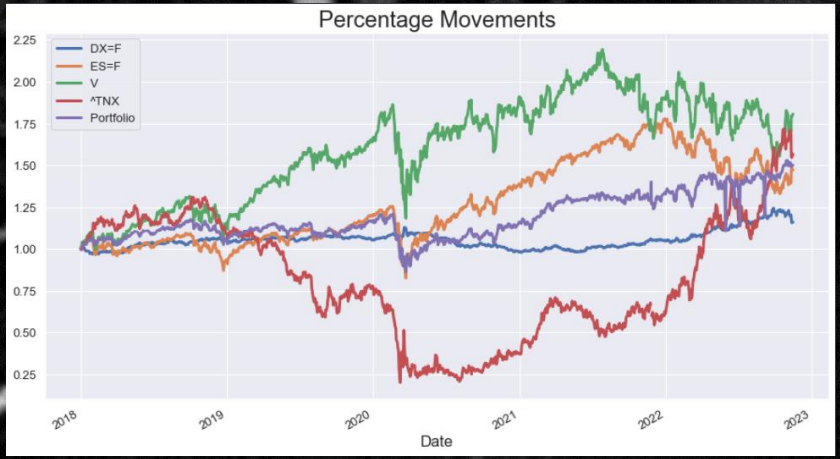
Percentage of shares held by institutions and the details for the top-5 holders can be reviewed above, along with the details of ESG score for **Low Risk**.





V has shown an increasing trend in **Net Income in billions** and larger **stock percentage returns** compared to S&P500, USD Index and 10-Year Treasury Bonds, between 2018 and 2022.

Risk warning: Contracts for Difference ('CFDs') are a complex financial product, with speculative character, the trading of which involves significant risks of loss of capital. Trading of leveraged CFD products carries significant risk. Trading CFDs, which are a marginal product, may result in the loss of your entire balance. Remember that leverage in CFDs can work both to your advantage and disadvantage. CFDs traders do not own, or have any rights to, the underlying assets. Trading CFDs is not appropriate for all investors. Past performance does not constitute a reliable indicator of future results. Future forecasts do not constitute a reliable indicator of future performance. Before deciding to trade, you should carefully consider your investment objectives, level of experience and risk tolerance. You should not deposit more than you are prepared to lose. Please ensure you fully understand the risk associated with the product envisaged and seek independent advice, if necessary.

Sources for Information

Investopedia

CNBC

Seeking Alpha

Investing.com

Libraries Used (Python 3.9)

Yfinance, Numpy, Pandas, Matplotlib, Scipy, Seaborn

Provided by ***Emir E***

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