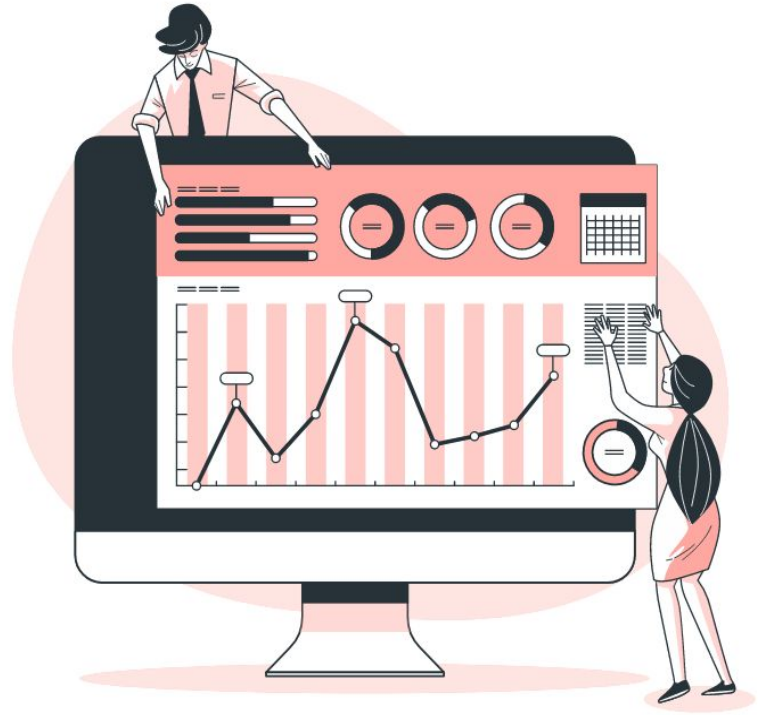


Stock Market Analysis during Covid-19

Done by: Ryan Loi



Introduction



Covid-19 has caused severe economic consequences and markets to crash but through crises, there are opportunities.

Which analyst reports should you trust?

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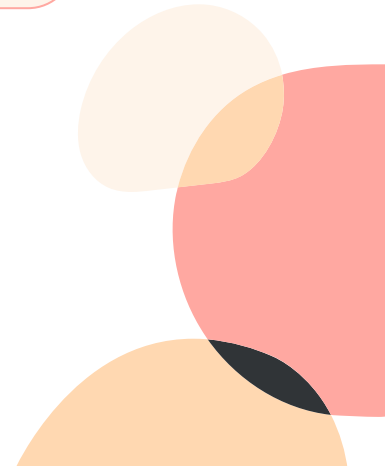
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01 Motivation of study

“The world is already seeing a number of new diseases that could potentially develop into Disease X”

- Dr Iserson, professor emeritus of emergency medicine at the University of Arizona.



01 Motivation of study

Stock markets may crash again following the next pandemic.



MORNINGSTAR™

- reputable
investment
research and
management firm.

yahoo!
finance

- provides
financial news
and stock data.

Other analyst reports from The Economist and Bloomberg are too general to validate and expensive respectively.

02 Data

Daily historical stock data of 334 trading days from
2 Jan 2020 - 30 Apr 2021 (Covid period)

Definition:

Close price

- final price during market hours.
- used as the stock price as it is considered the most accurate valuation of a stock.

03 Morningstar (Stock recovery)

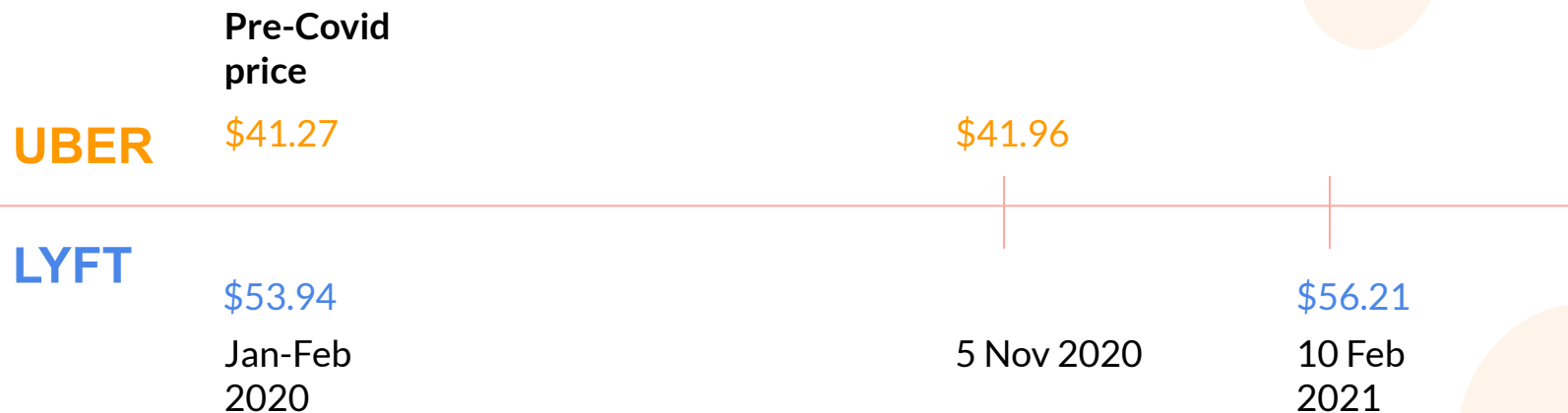
Stocks: UBER and LYFT

Prediction: 'Recovery will take until 2021'.

Assumption:

- Recovery is taken to be pre-covid prices (defined as the highest Close price between Jan-Feb 2020 which was just before Covid-19).
- WHO declared Covid-19 as a pandemic on 11 March 2020.

03 Morningstar (Stock recovery)



Result: Morningstar was mainly correct as recovery for UBER was earlier than 2021, but not too far off.

03 Morningstar (Fair value estimate)

Stocks: 18 stocks provided by Morningstar.

Prediction: Companies will reach their fair value estimate.

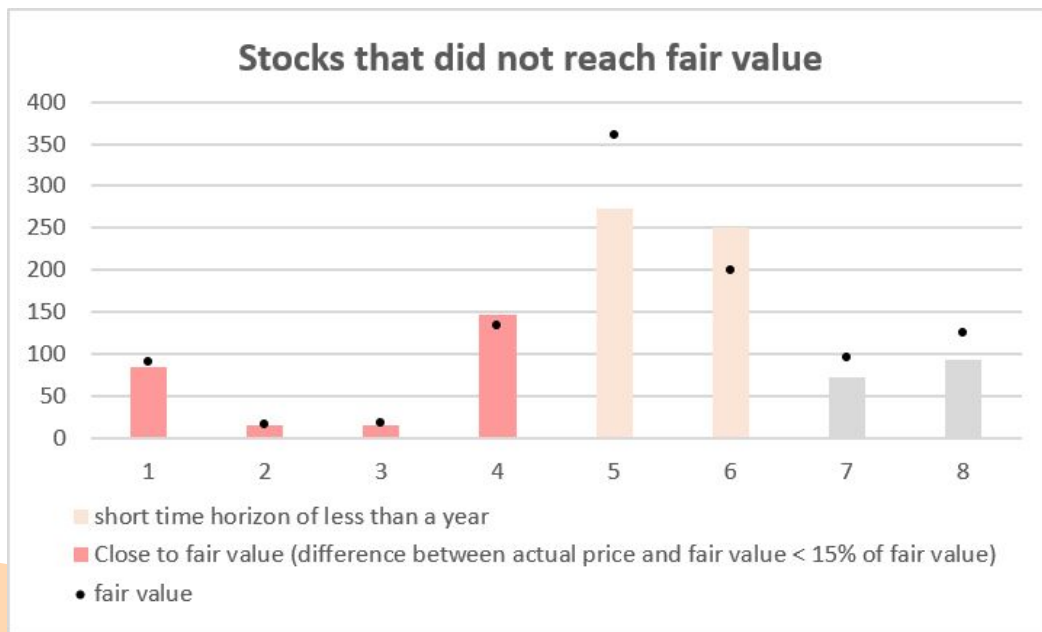
Definition:

Fair value estimate

- Long term intrinsic value of a company.
- Amount of cash Morningstar thinks the company will generate in the future.

03 Morningstar (Fair value estimate)

10/18 stocks hit fair value.



Result: Morningstar was mostly accurate in their fair value estimates and can be trusted.

03 Morningstar (Fair value estimate)

Morningstar average return	S&P 500 average return
86% in 216 days	45% in 216 days
Assumption: Buy at current price when analysis was made, and sell at the fair value/max price which is higher than current price.	

04 Yahoo Finance recommendations

Stocks:

Top 30 stocks in terms of market capitalization.

- From S&P 500 IT, Healthcare, Financials

Hypothesis:

Higher number of neutral/sell than buy recommendations leads to a longer time to recover to pre-covid prices.



Higher number of neutral/sell
recommendations → bearish outlook
→ longer recovery

04 Yahoo Finance recommendations

- Recommendations are sorted into 'buy', 'neutral', 'sell'

Investment firm/bank	Recommendation
JP Morgan	'buy': Outperform/Overweight 'neutral': Perform/Equal-weight 'sell': Underperform/Underweight

- Tally the total number of recommendations.
- Higher number of neutral/sell than buy recommendations leads to longer time to recover to pre-covid prices.

04 Yahoo Finance recommendations

Sector	Fraction of stocks with more neutral/sell recommendations that did not recover	Time taken on average for stocks with more neutral/sell recommendations to recover
IT	2/4	4 months longer
Healthcare	1/4	1 month longer
Financial	2/4	1 month longer

Result: Yahoo Finance recommendations influence stock recovery in terms of the duration.

Summary

Free and good: Morningstar and Yahoo Finance.

- Predictions by Morningstar and Yahoo Finance are mostly accurate and influential.

When the next pandemic strikes, the same framework can be adopted.

Limitations

- The study was focused on the Covid-19 period and might not be generalizable.
- Narrow focus of analyst reports.

Resources

<https://www.morningstar.com/articles/999855/3-expensive-diy-stocks-to-watch>

<https://www.morningstar.com/articles/973345/5-more-stocks-we-like>

<https://www.morningstar.com/articles/976067/6-more-stocks-we-like>

<https://www.morningstar.com/articles/972772/5-stocks-we-like>

<https://www.morningstar.com/articles/970564/virus-outbreak-drives-uber-and-lyft-growth-lower>

<https://finance.yahoo.com/quote/SPY/performance/>



Thanks!

Do you have any questions?