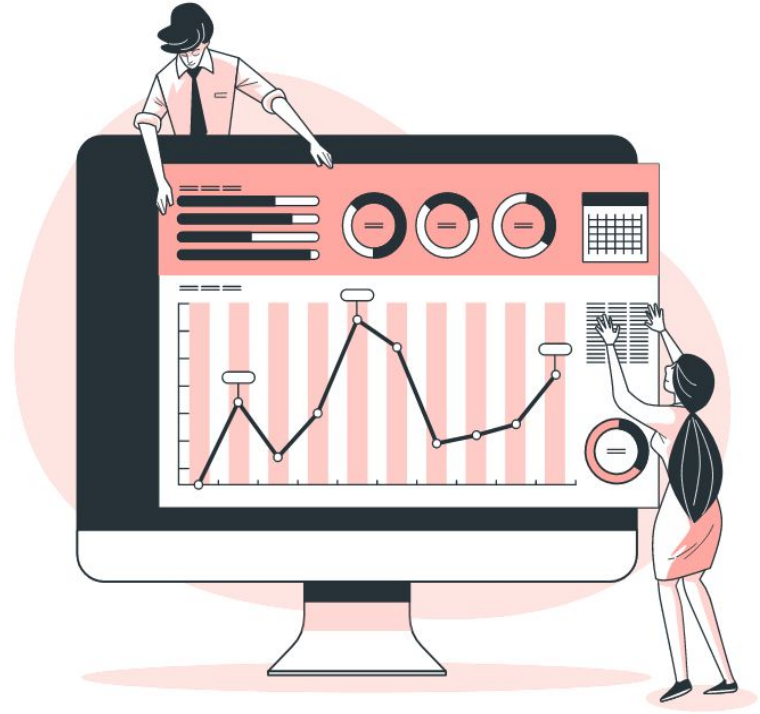


Stock Market Analysis during Covid-19

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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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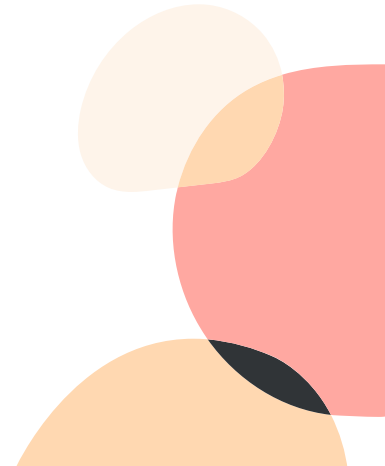
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01 Motivation of study

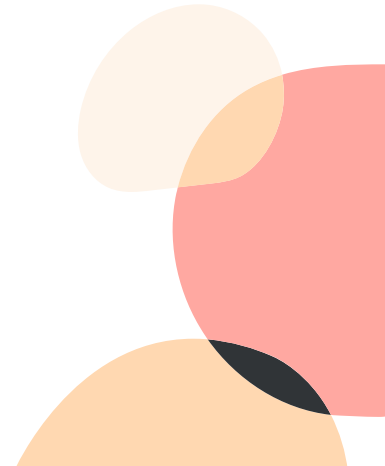
“The world is already seeing a number of new diseases that could potentially develop into Disease X”

- 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.
- Validate analyst reports with a focus on Morningstar and Yahoo Finance.
- Other analyst reports from The Economist and Bloomberg are too general to validate and expensive respectively.



02 Data



2 Jan 2020 - 30 Apr 2021 (Covid period)

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

03 Morningstar Analyses (Stock recovery)

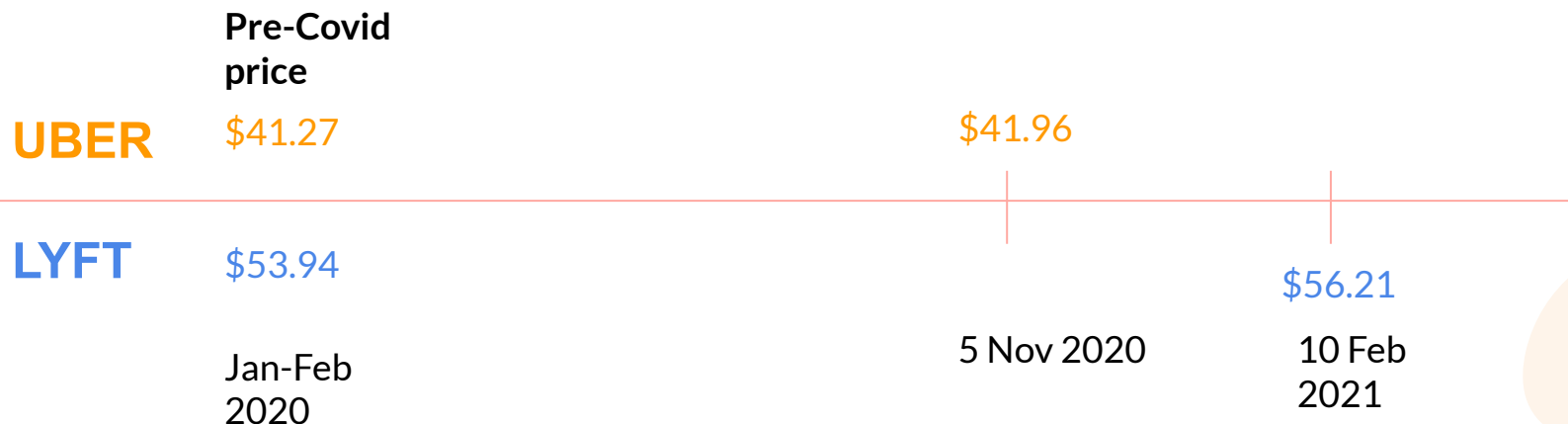
Companies: **UBER** and **LYFT**

Morningstar 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 Analyses (Stock recovery)



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

03 Morningstar Analyses (Fair value estimate)

Companies: 18 companies provided by Morningstar.

Morningstar Prediction: Companies will reach their fair value estimate.

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

03 Morningstar Analyses (Fair value estimate)

10/18 companies hit fair value.

Underestimation as out of the remaining 8 companies,

→ 4 came close to hitting the fair value.

→ Short time horizon of less than a year for 2 companies.

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

03 Morningstar Analyses (Fair value estimate)

Average return: 86% in 216 days

- Buy at current price when analysis is made, and sell at the fair value/max price which is higher than current price.

S&P 500 annual average return in last 10 years: 13.6%

04 Yahoo Finance recommendations

Companies: Top 30 companies in terms of market capitalization.

- From S&P 500 IT (ETF consisting of the companies from the S&P 500 that belong to the IT sector)

Hypothesis: Higher number of neutral/sell than buy recommendations → longer time to recover to pre-covid prices.

04 Yahoo Finance recommendations

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

Investment firm/bank	Recommendation
JP Morgan	Outperform/Overweight/Positive ('buy') Hold/Market perform ('neutral') Underperform/underweight ('sell')

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

04 Yahoo Finance recommendations

4/30 firms did not recover to their pre-covid price, and out of the 4 firms, **half** have more neutral/sell than buy recommendations.

4 months longer on average for firms with more neutral/sell than buy recommendations to recover to pre-covid/max price.

Result: Yahoo Finance recommendations influence stock recovery.

Summary

1. Analyst reports from The Economist and Bloomberg are either too general to verify or are pay-to-access.
2. Free and good: Morningstar and Yahoo Finance.
3. Predictions by Morningstar and Yahoo Finance are mostly accurate and influential.
4. When the next pandemic strikes, opportunities can be capitalized on with the help of analyst reports from Morningstar and Yahoo Finance.

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>



Thanks!

Do you have any questions?