

# 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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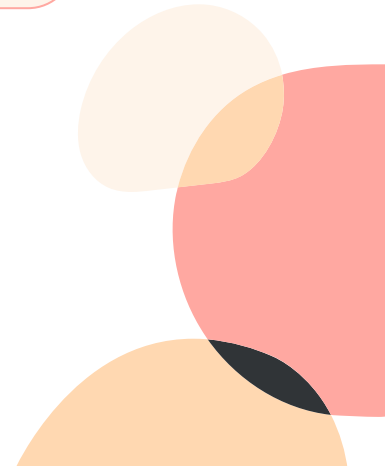
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# 01 Motivation of study

“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.*



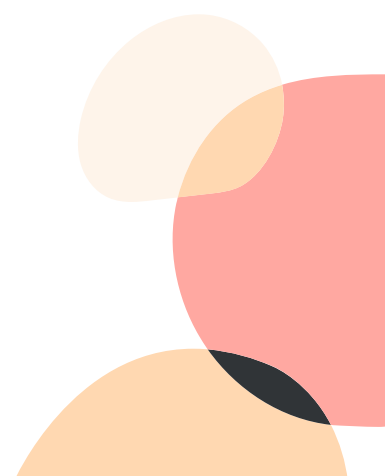
# 01 Motivation of study

Stock markets may crash again following the next pandemic.

Validate analyst reports with a focus on Morningstar and Yahoo Finance.

- Morningstar is a reputable investment research and management firm that manages over \$244B as of Mar 2021.
- Yahoo Finance is a free and credible source of stock data and news.

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)

# 03 Morningstar Analyses (Stock recovery)

Stocks: **UBER** and **LYFT**

Prediction: 'Recovery will take until 2021'.

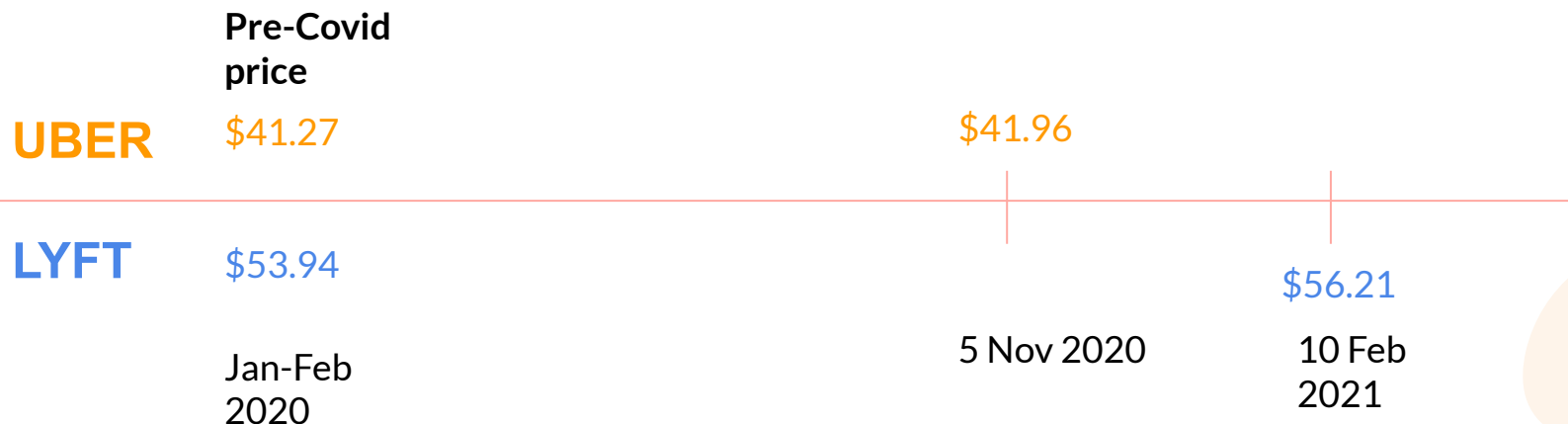
Assumption:

- 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.

Definition:

- Close price: final price during market hours.

## 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)

Stocks: 18 stocks provided by Morningstar.

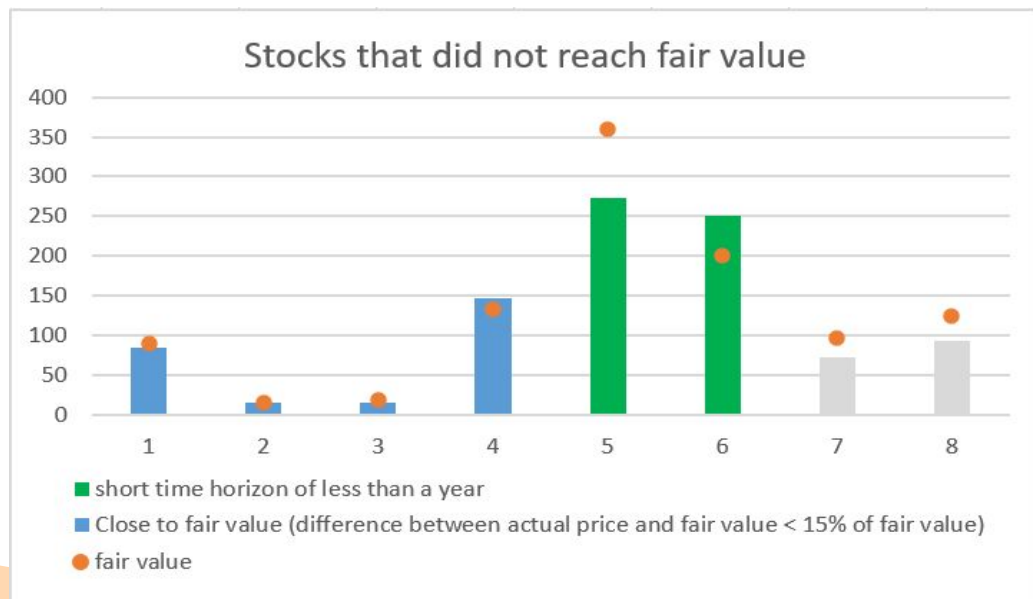
Prediction: Companies will reach their fair value estimate.

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 Analyses (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 Analyses (Fair value estimate)

Morningstar average return	S&P 500 annual average return
<b>86%</b> in 216 days	<b>15.03%</b> for last 3 years
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 → 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/Positive 'neutral': Hold/Market perform 'sell': Underperform/underweight

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

## 04 Yahoo Finance recommendations

Sector	No. of firms with more neutral/sell recommendations that did not recover	Time taken on average for firms 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.

# Summary



Free and good: Morningstar and Yahoo Finance.

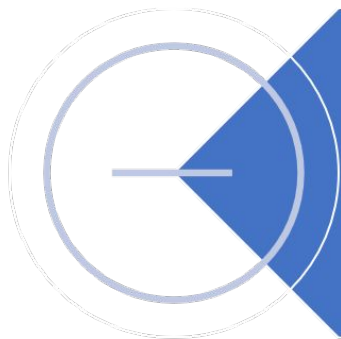
- Predictions by Morningstar and Yahoo Finance are mostly accurate and influential.



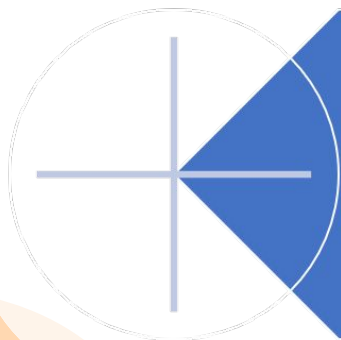
When the next pandemic strikes, we can adopt the same framework and input data from Morningstar and Yahoo Finance to capitalize on opportunities.



# Limitations



The study was focused on the Covid-19 period and might not be generalizable to other time periods such as financial crises or normal times.



The framework developed can be used to test the data from other periods to gain a more comprehensive understanding of the accuracy and credibility of 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>

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



# Thanks!

Do you have any questions?