Assignment 2 - Stock Data Analysis

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Before messing around with the stock data, the environment should install and load the dplyr and lubridate packages as well as others to perform easier data analysis. Additionally, we disable any warning messages for cleaner output. We also remove any rows with NA values in the prcod column.

```
library(dplyr)
library(readr)
library(data.table)
library(lubridate)
library(ggplot2)
options(warn=-1)
```

```
data = fread("compressed_data.csv.gz") %>%
        filter(!is.na(prcod)) %>%
        mutate(datadate = as.Date(datadate, "%d/%m/%Y"))
head(data |> select(-conm, -gvkey))
```

A data.table: 6 × 9

Table 1: Compressed dataset

tic	datadate	exchg	sic	cshtrd	prccd	prchd	prcld	prcod
<chr>	<date>	<int>	<int>	<dbl>	<dbl>	<dbl>	<dbl>	<dbl>
PNW	2023-01-03	11	4911	1442534	74.63	76.4125	73.380	76.25
PNW	2023-01-04	11	4911	954218	75.39	76.0950	74.630	75.10
PNW	2023-01-05	11	4911	994775	73.65	75.0950	73.305	74.88
PNW	2023-01-06	11	4911	729808	75.46	76.0200	74.480	74.49
PNW	2023-01-09	11	4911	656127	75.55	76.4800	75.240	75.24
PNW	2023-01-10	11	4911	763254	75.65	75.6950	74.880	75.31

Part 1 Questions & Answers

1. How many unique tickers are in your data?

```
summary_table_1 <- tibble(
  X = "Unique tickers",
  Y = length(unique(data$tic))
)
summary_table_1
```

```r
cat("1. There are", length(unique(data$tic)), "unique tickers.")
```

A tibble: 1 × 2

X <chr>	Y <int>
Unique tickers	502

```
1. There are 502 unique tickers.
```

2. How many unique companies are in your data?

```r
summary_table_2 <- tibble(
  X = "Unique company names",
  Y = length(unique(data$conm))
)
summary_table_2
cat("\n2. There are", length(unique(data$conm)), "unique company names.")
```

A tibble: 1 × 2

X <chr>	Y <int>
Unique company names	499

```
2. There are 499 unique company names.
```

3. Display the top 5 companies by largest mean trading volume, in a table.

```r
data_3 = data %>%
    group_by(tic) %>%
    summarise(mean_trading_v = mean(cshtrd, na.rm = TRUE)) %>%
    ungroup() %>%
    arrange(desc(mean_trading_v))
data_3[1:5,]
```

A tibble: 5 × 2

Table 4: Top 5 companies by largest mean trading volume

tic <chr>	mean_trading_v <dbl>
TSLA	115314383
NVDA	113131835
PLTR	60056251
AAPL	57736403

tic <chr>	mean_trading_v <dbl>
AMD	57143415

4. Display the total trading volume of the top 3 exchanges (table).

```r
data_4 = data %>%
    group_by(exchg) %>%
    summarise(total_trading_v = sum(cshtrd, na.rm = TRUE)) %>%
    ungroup() %>%
    arrange(desc(total_trading_v))
data_4[1:3,]
```

A tibble: 3 × 2

Table 5: Total trading volume of the top 3 exchanges

exchg <int>	total_trading_v <dbl>
11	681415756062
14	570830885382
21	385399362

5. Visualise the total trading volume of the top 3 exchanges (bar plot).

```r
ggplot(data_4, aes(x = as.character(exchg), y = total_trading_v/1000000)) +
  geom_bar(stat = "identity", color = "darkblue", fill = "darkblue") +
  geom_text(aes(label = round(total_trading_v/1000000)),
            vjust = -0.3,              # position above the bar
            size = 5) +               # text size
  labs(title = "Total Trading Volume of the Top 3 Exchanges",
  x= "exchange", y="Total Trading Volume in Millions") +
  theme(plot.title = element_text(hjust = 0.5))
```

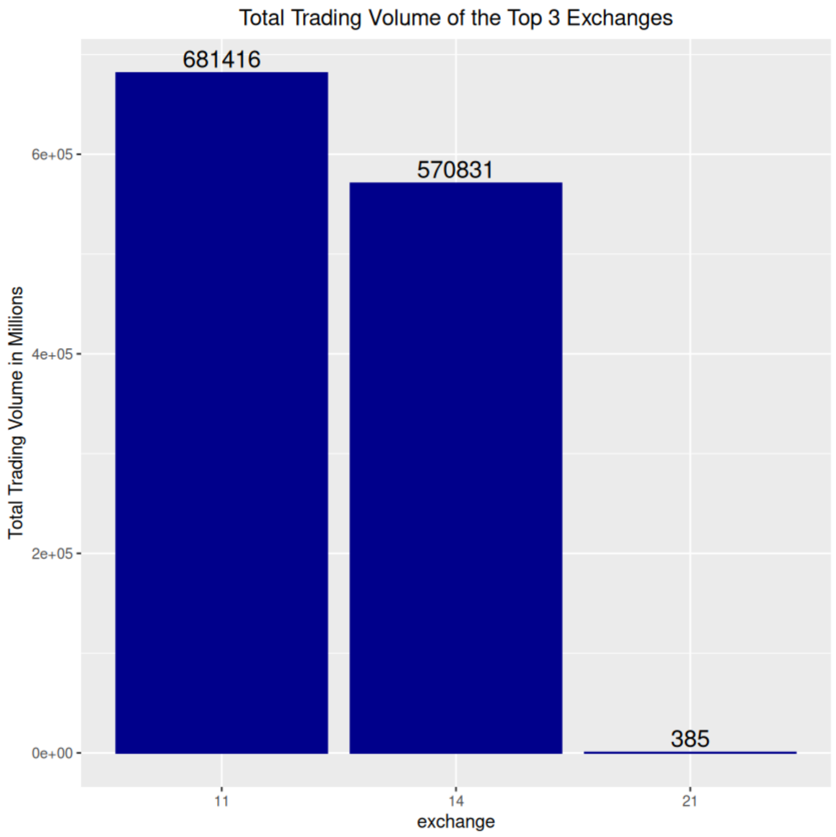

Figure 1: Total Trading Volume of the Top 3 Exchanges

6. How many companies have more than one ticker?

```
data_6 = data %>%
    group_by(conm) %>%
    summarise(no_of_tickers = n_distinct(tic)) %>%
    ungroup() %>%
    filter(!no_of_tickers == 1)
data_6[1:4,]
nr_companies = nrow(data_6)
cat("6. There are", nr_companies, "companies with more than one ticker.")
```

A tibble: 4 × 2

Table 6: Companies with more than one ticker

conm <chr>	no_of_tickers <int>
ALPHABET INC	2
FOX CORP	2
NEWS CORP	2
NA	NA

```
6. There are 3 companies with more than one ticker.
```

7. Which ticker has the largest positive mean return (simple daily return)?

```r
# 7. Which ticker has the largest positive mean return (simple daily return)?
data = data %>%
    group_by(tic) %>%
    mutate(return = prccd/lag(prccd)-1) %>%
    ungroup()

data_7 = data %>%
    group_by(tic) %>%
    summarise(mean_return = mean(return, na.rm = TRUE)) %>%
    ungroup() %>%
        arrange(desc(mean_return))

highest_mean_return = max(data_7$mean_return)

highest_mean_return_ticker = data_7$tic[
    which.max(data_7$mean_return)
]

summary_table_7 <- tibble(
  Ticker = highest_mean_return_ticker,
  Mean_return_perc = round(highest_mean_return, 4)*100
)
summary_table_7

cat("7. The", highest_mean_return_ticker,
"ticker had the highest mean daily return.")
cat("\n-> The return was", round(highest_mean_return, 4)*100,"%.")
```

A tibble: 1 × 2

Ticker <chr>	Mean_return_perc <dbl>
PLTR	0.58

```
7. The PLTR ticker had the highest mean daily return.
-> The return was 0.58 %.
```

8. Which company has the largest positive mean return (simple daily return)?

```r
summary_table_8 <- tibble(
  Ticker = highest_mean_return_ticker,
  Company = highest_mean_return_company,
  Mean_return_perc = round(highest_mean_return, 4)*100
)
summary_table_8

highest_mean_return_company = data$conm[
    which(data$tic == highest_mean_return_ticker)[1]
]
cat("8. The", highest_mean_return_company,
"company had the highest mean daily return.")
```

A tibble: 1 × 3

Ticker <chr>	Company <chr>	Mean_return_perc <dbl>
PLTR	PALANTIR TECHNOLOG INC	0.58

```
8. The PALANTIR TECHNOLOG INC company had the highest mean daily return.
```

9. Which industry is represented by the most companies?

```r
data_9 = data %>%
    group_by(sic) %>%
    summarise(no_companies = n_distinct(conm)) %>%
    ungroup() %>%
    arrange(desc(no_companies))
most_represented_industry = data_9$sic[
    which.max(data_9$no_companies)
]
no_companies_in_most_represented_industry = max(data_9$no_companies)

summary_table_9 <- tibble(
  SIC = most_represented_industry,
  No_of_companies = no_companies_in_most_represented_industry
)
summary_table_9

cat("9. The", most_represented_industry,
"SIC industry has the most companies.")
cat("\n-> There are", no_companies_in_most_represented_industry,
"companies in that industry.")
```

A tibble: 1 × 2

SIC <int>	No_of_companies <int>
6798	28

```
9. The 6798 SIC industry has the most companies.
-> There are 28 companies in that industry.
```

Part 2 Extended Analysis

After preparing the data we carry out the following analysis.

1. Calculate simple weekly returns for each ticker in the full dataset

```r
data_weekly = data %>%
    ## determine weekly returns based on fridays
    group_by(tic, datadate = floor_date(datadate, "week")+5) %>%
    summarise(weekly_close = last(prccd)) %>%
    arrange(tic, datadate) %>%
    group_by(tic) %>%
    mutate(simple_w_r = (weekly_close / lag(weekly_close)) - 1) %>%
    ungroup()
head(data_weekly)
```

```
`summarise()` has grouped output by 'tic'. You can override using the `.groups`
argument.
```

A tibble: 6 × 4

Table 10: Simple weekly returns for each ticker

tic <chr>	datadate <date>	weekly_close <dbl>	simple_w_r <dbl>
A	2023-01-06	147.67	NA
A	2023-01-13	156.92	0.062639670
A	2023-01-20	155.92	-0.006372674
A	2023-01-27	155.69	-0.001475115
A	2023-02-03	154.55	-0.007322243
A	2023-02-10	152.55	-0.012940796

2. Categorise your data into decile groups

(We do not remove zero returns from the data).

```
c_breaks = seq(0.1, 1, by = 0.1)
c_labels = paste0((1:(length(c_breaks) - 1)) * 10, "%")

data_weekly_deciles <- data_weekly %>%
    filter(!is.na(simple_w_r)) %>%
    mutate(
        deciles = cut(
            simple_w_r,
            breaks = quantile(
            simple_w_r,
            probs = c_breaks,
            type = 9,
            na.rm = TRUE
            ),
        labels = c_labels,
        include.lowest = TRUE
        )
    ) %>%
  arrange(tic)
head(data_weekly_deciles)
```

A tibble: 6 × 5

Table 11: Data categorized by decile groups

tic <chr>	datadate <date>	weekly_close <dbl>	simple_w_r <dbl>	deciles <fct>
A	2023-01-13	156.92	0.062639670	90%
A	2023-01-20	155.92	-0.006372674	30%
A	2023-01-27	155.69	-0.001475115	40%
A	2023-02-03	154.55	-0.007322243	30%
A	2023-02-10	152.55	-0.012940796	30%
A	2023-02-17	148.26	-0.028121927	10%

3. Display a table showing the top ticker in each decile group

```
df_top_ticker = data_weekly_deciles %>%
    group_by(deciles) %>%
    filter(simple_w_r == max(simple_w_r, na.rm = TRUE)) %>%
    ungroup() %>%
        arrange(desc(deciles)) %>%
        select(tic, simple_w_r, deciles)
df_top_ticker[1:11,]
```

A tibble: 11 × 3

Table 12: Top tickers by decile group

tic <chr>	simple_w_r <dbl>	deciles <fct>
SMCI	0.784176534	90%
ETN	0.046986033	80%
TROW	0.029170465	70%
APH	0.018479909	60%
PRU	0.010129310	50%
AXP	0.002281286	40%
NWS	-0.005443235	30%
IPG	-0.014084507	20%
WBD	-0.024780176	10%
ADBE	-0.041523909	NA
NA	NA	NA

4. Select the top ticker from the 60% decile group

We use this ticker for the rest of the assignment, including in Part 3.

```r
summary_table_2_4 = tibble (
    Decile = "60%",
    Ticker = top_ticker_60d
)
summary_table_2_4

top_ticker_60d = as.character(df_top_ticker %>%
    filter(deciles == "60%") %>%
    select(tic)
    )
cat("4. The ticker with the highest mean weekly return at the 60% decile is",
top_ticker_60d)
```

A tibble: 1 × 2

Decile <chr>	Ticker <chr>
60%	APH

```
4. The ticker with the highest mean weekly return at the 60% decile is APH
```

5. Plot the autocorrelation function for this ticker's entire set of weekly returns

```r
# Filter and remove NA values
csco_data = data_weekly %>%
    filter(tic == top_ticker_60d) %>%
        na.omit()

acf(csco_data$simple_w_r, main = "Autocorrelation Function")
```

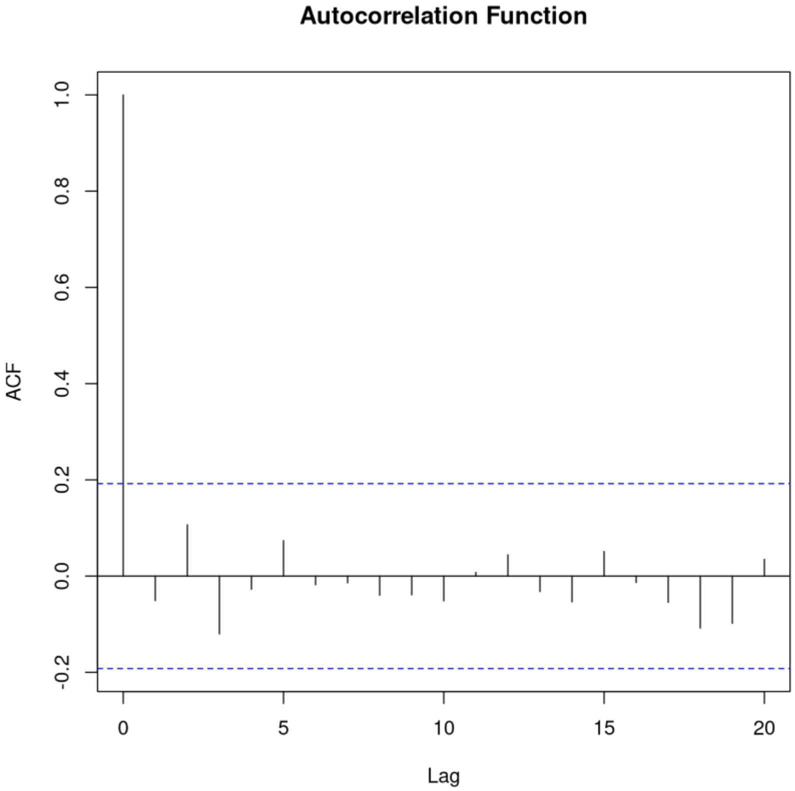

Figure 2: Autocorrelation Function

Part 3 Regression - Fama-French 3 Factor Model

1. Load and clean the weekly Fama-French 3 factor data

```r
ff <- read.csv("fama_french_weekly.csv", skip = 4) %>%
  rename(x = X,
         mktrf = Mkt.RF,
         smb   = SMB,
         hml   = HML,
         rf    = RF) %>%
  mutate(
    date  = ymd(as.character(x)),
    mktrf = mktrf / 100,
    smb   = smb / 100,
    hml   = hml / 100,
    rf    = rf / 100
  ) %>%
  transmute(date, mktrf, smb, hml, rf) %>%
  filter(!is.na(date)) %>%
  arrange(date)

head(ff)
```

A data.frame: 6 × 5

Table 14: Fama-French 3 Factor Model

	date <date>	mktrf <dbl>	smb <dbl>	hml <dbl>	rf <dbl>
1	1926-07-02	0.0158	-0.0062	-0.0086	6e-04
2	1926-07-10	0.0037	-0.0090	0.0031	6e-04
3	1926-07-17	0.0098	0.0059	-0.0144	6e-04
4	1926-07-24	-0.0203	0.0002	-0.0017	6e-04
5	1926-07-31	0.0306	-0.0189	-0.0085	6e-04
6	1926-08-07	0.0204	0.0016	0.0055	6e-04

2. Fit the Fama-French 3 factor model to the weekly returns of the stock in Part 2

```
# 1) Get the chosen stock's weekly returns
ticker_data <- data_weekly %>%
  filter(tic == top_ticker_60d) %>%
  select(datadate, simple_w_r) %>%
  filter(!is.na(simple_w_r))

# 2) Join with Fama-French factors (align on week end)
ff_weekly <- ff %>% rename(datadate = date)

merged <- ticker_data %>%
  inner_join(ff_weekly, by = "datadate") %>%
  mutate(excess_return = simple_w_r - rf)

# 3) Fit FF3: excess_return ~ Mkt.RF + SMB + HML
ff3_model <- lm(excess_return ~ mktrf + smb + hml, data = merged)

# 4) Show results
```

```r
summary(ff3_model)
```

```
Call:
lm(formula = excess_return ~ mktrf + smb + hml, data = merged)

Residuals:
     Min       1Q   Median       3Q      Max 
-0.47998 -0.01072  0.00349  0.01654  0.07078 

Coefficients:
             Estimate Std. Error t value Pr(>|t|)    
(Intercept) -0.003136   0.005454  -0.575 0.566550    
mktrf        1.233157   0.315971   3.903 0.000175 ***
smb          0.368449   0.357088   1.032 0.304698    
hml          0.260722   0.320227   0.814 0.417517    
---
Signif. codes:  0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

Residual standard error: 0.05344 on 98 degrees of freedom
Multiple R-squared:  0.1987,	Adjusted R-squared:  0.1742 
F-statistic: 8.102 on 3 and 98 DF,  p-value: 7.11e-05
```

Analysis Summary

APH recorded a moderate positive weekly return of around 1.85%, placing it within the 60th performance decile. The autocorrelation analysis revealed no meaningful serial dependence, suggesting that APH's returns behave largely randomly and that past movements offer little predictive power for future performance.

The Fama–French three-factor regression indicated a strong positive sensitivity to overall market returns, with a statistically significant market beta of about 1.23 ($p < 0.001$). The coefficients on size (SMB) and value (HML) factors were positive but not statistically significant, implying a limited relationship with these style factors. The adjusted R^2 of roughly 0.17 suggests that common market factors explain only part of APH's return variation.

Overall, this pattern points to APH's performance being moderately linked to general market movements, while firm-specific drivers continue to play an important role in explaining its excess returns.