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Data Science Problem

For this project, we’d like to investigate the factors affecting stock market among 10 sectors. Stock market has been one of the most important markets when stepping into 21st century. With the rapid development of economy around the world, there is also an increase in the number of large companies. Issuing stocks is absolutely a double-win choice for large companies with good operating condition to raise capital and share dividend with people. Also, stock market plays an important role in the whole economy. Like Alison Green said, “without stock markets, businesses would largely resort to borrowing huge loans - which must be repaid with interest- from banks or individuals with well-oiled pockets.” He stated that stock market promotes investment, which are a key driver for economic trade, growth and prosperity whether in the financial markets or product markets (agriculture, real estate, manufacturing etc.).” Then he continued saying “Stock markets provide a trading platform for governments too.” (Green, 2015) Under this situation, there is a growing number of companies go for IPO, which is initial public offering, and then become listed companies. Thanks to that, the stock market has experienced a boom and many people benefited from it.

However, it can’t be ignored that the risk of stock is the highest among financial products. Tracing back to 2008, with “a high default rate in the United States [subprime](https://en.wikipedia.org/wiki/Subprime_lending) home mortgage sector – the bursting of the "subprime bubble", (Wikipedia, 2018) the stock prices of the biggest two subprime mortgage companies slumped, which exacerbated the spread and damage of crisis. It cannot be doubted that maintaining the stock price at a considerable level is a key task for the companies, since it represents the company strength and benefits shareholders in the company. Therefore, investigating factors affecting stock market is not only good for company, but also a good method to forecast and regulate financial market.

Although there are many general factors can affect stock market, such as goodwill, business status, government policy. Factors may differ from the different sectors. Most previous studies explored factors that have impact on the whole stock market, which are not targeted enough from my point. As a result, our group focuses on analyzing the factors among different sectors and tries to figure out more pertinent strategy on the basis of general factors and strategy.

References

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