

Husson Stock Index

Week Ended June 12, 2020

For the week ended June 12, 2020, the Husson Stock Index (HSI) finished the week down 5.31%, closing at 159.47. In comparison, the S&P 500 finished the week down 4.78%. Year-to-date, the HSI is down 7.04%, whereas the S&P 500 is down 6.13%.¹

Summary

As the HSI continues to act fairly collectively, with just two of the twenty-nine stocks increasing amid continuous large swings in the market, volatility is an important topic to examine. When considering the heavy impact of investor reactions and market uncertainty, an article by Wall Street Journal writer Gunjan Banerji offers insight on why the markets have transformed into such a reactive environment during times of economic uncertainty. Banerji analyzes the increasing practice of volatility trading and tail-risk strategies that are arguably changing the overall behavior of the market. Banerji explains that volatility indexes that began as an analysis tool, in 2004 became tradable with derivatives and options contracts tied to the most commonly used, Cboe Volatility Index (VIX). Some money managers specialize only in this type of trading, resulting in “More than a trillion dollars’ worth of derivatives bets tied to the VIX” being traded this year, four times the value of such trades in 2010 (Cboe Global Markets Data). With large bets being placed on the volatility of the market, during times of growth and certainty this type of trading can bolster growth, however during recessions and downturns it amplifies the swings in the market. This idea can explain much of why the HSI, as well as the S&P 500 have continuously experienced massive swings in either direction week after week

¹ Calculations for week-to-week and year-to-date are calculated using end-of-week totals. The year-to-date percentage increases use the end of December 27, 2018 as the starting point, and not December 31, 2018.

since the beginning of the current market downturn and overall economic uncertainty that began in early March.

Taking a closer look at this week's activity, Penn National Gaming (PENN: NASDAQ) experienced the largest decline in the index, falling 17.73%, or \$6.39. Penn's shares were downgraded on Monday from hold to sell by Deutsche Bank and given a target price valuation of \$22, much lower than the \$35 market price early Monday (Owusu, 2020). Deutsche Bank noted an encouraging outlook for the gaming industry post-pandemic, yet they have continuing concerns on Penn's margins and ability to improve them.

The second largest percentage change is Northeast Bank's (NBN: NASDAQ) 15.44% decline, or \$2.89 price change. Northeast Bank was hit heavily on Thursday, like much of the market. Northeast Bank stock has a beta of 1.73, making it particularly susceptible to the volatility in the market -- generally, rising and falling to a greater degree than the market (Simply Wall St.).

As mentioned earlier there were only two increases in the index this week, T-Mobile US, Inc. (TMUS: NASDAQ) with a small 1.17% increase and Colgate-Palmolive Company (CL: NYSE) with a 0.54% increase. T-Mobile did receive a downgrade from buy to neutral from Guggenheim analysts early this week, however was able to make it through the trading week without a decline (Bary, 2020).

Overview

The HSI was developed by Marie Kenney, while a student at Husson University, in consultation with Associate Professor J. Douglas Wellington. The index is currently being tracked and analyzed by Husson student, Caitlin Cushman. The HSI tracks and analyzes the stocks of 29 companies that are considered to have an effect on the Maine economy. These companies are either based in Maine or have an influence on the Maine economy through employment or consumer spending. This price-weighted index offers a numerical breakdown of Maine's economy. The analysis looks into the events of the week and finds the likely reasons the index went up or down. This index and analysis help provide a better understanding of Maine's economy as well as explain significant changes in stock prices of the companies that comprise the HSI.

References

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Composition of the Husson Stock Index (HSI)

Ticker Symbol: Exchange	Stock	Maine Affiliation	Sector
AGR: NYSE	Avangrid, Inc.	Presence	Utilities
ANCUF: TSX	Alimentation Couche-Tard Inc Class B	Presence	Consumer Staples
BAC: NYSE	Bank of America Corporation	Presence	Financials
BHB: NYSE	Bar Harbor Bank	Maine-based	Financials

CAC: NASDAQ	Camden National Corporation	Maine-based	Financials
CHTR: NASDAQ	Charter Communications, Inc.	Presence	Communications Services
CL: NYSE	Colgate-Palmolive Company	Maine-based	Consumer Staples
CVET: NASDAQ	Covetrus, Inc.	Maine-based	Health Care
DRI: NYSE	Darden Restaurants, Inc.	Presence	Consumer Discretionaries
FNLC: NASDAQ	The First Bancorp, Inc.	Maine-based	Financials
GD: NYSE	General Dynamics Corporation	Presence	Industrials
HLT: NYSE	Hilton Worldwide Holdings, Inc.	Presence	Consumer Discretionaries
HD: NYSE	The Home Depot, Inc.	Presence	Consumer Discretionaries
ICCC: NASDAQ	ImmuCell Corporation	Maine-based	Health Care

IDXX: NASDAQ	IDEXX Laboratories, Inc.	Maine-based	Health Care
LOW: NYSE	Lowe's Companies, Inc.	Presence	Consumer Discretionaries
MCD: NYSE	McDonald's Corporation	Presence	Consumer Discretionaries
NBN: NASDAQ	Northeast Bank	Maine-based	Financials
PENN: NASDAQ	Penn National Gaming, Inc.	Presence	Consumer Discretionaries
RAD: NYSE	Rite Aid Corporation	Presence	Consumer Staples
RTX: NYSE	Raytheon Technologies Corporation	Presence	Industrials
TD: NYSE	The Toronto-Dominion Bank	Presence	Financials
TMUS: NASDAQ	T-Mobile US, Inc.	Presence	Consumer Services
UPS; NYSE	United Parcel Service, Inc.	Presence	Industrials

UNM: NYSE	Unum Group	Presence	Financials
VLO: NYSE	Valero Energy Corporation	Presence	Energy
WMT: NYSE	Walmart Inc.	Presence	Consumer Staples
WEX: NYSE	WEX Inc.	Presence	Information Technology
WBA: NASDAQ	Walgreens Boots Alliance, Inc.	Presence	Consumer Staples