

Internet Appendix A102: Weather & Finance

A102.1 Illustrative Reverse Engineered Pitch Template Example

Pitcher's Name	Ihtisham Abdul Malik	FoR category	Weather & Finance	Date Completed	08-07-2016
(A) Working Title	McTier, B. C., Tse, Y., & Wald, J. K. (2013). Do Stock Markets Catch the Flu?. Journal of Financial and Quantitative Analysis, 48(03), 979-1000. (Reverse Engineered)				
(B) Basic Research Question	What are the impacts of increasing flu incidence on the US stock market?				
(C) Key paper(s)	<p>1. Goetzmann, W. N., and N. Zhu. "Rain or Shine: Where Is the Weather Effect?" European Financial Management, 11 (2005), 559–578.</p> <p>2. Loughran, T., and P. Schultz. "Weather, Stock Returns, and the Impact of Localized Trading Behavior." Journal of Financial and Quantitative Analysis, 39 (2004), 343–364</p> <p>3. Hirshleifer, D., and T. Shumway. "Good Day Sunshine: Stock Returns and the Weather." Journal of Finance, 58 (2003), 1009–1032.</p>				
(D) Motivation/Puzzle	Increase in the incidence of flu can decrease the returns, due to the reduced information flows, as market key participants might not be present due to being infected by the disease. This could also lead to reduced market volume and turnover. Moreover, the stock returns might also be affected either directly by the flu impacts on expected economic activities or due to variations in the liquidity risks. An increase in flu incidence could be linked with a higher bid-ask spread because reduction in market participants would decrease liquidity and ask for greater spreads.				
THREE	Three core aspects of any empirical research project i.e. the " IDioTs " guide				
(E) Idea?	To examine the impacts of influenza on the New York Stock Exchange using different stock market performance measures				
(F) Data?	<p>Data: Time Series for national effects and Panel data for international flu effects</p> <p>Data Frequency: Weekly</p> <p>Country : United States</p> <p>Data Source: Publicly available e.g. Centers for Disease Control and Prevention (CDC), Google Flu Trends, TAQ data for weekly NYSE trading data.</p> <p>Variables: Stock returns, Bid-ask spreads, Market Volume, New York flu cases, US flu cases, Global flue cases, Volatility, SAD onset and Dummy variables of Cloud cover.</p>				
(G) Tools?	<p>Regression Analysis (Index Portfolio regression and Panel regression) using different set of variables for accurate estimation of the impacts that influenza can have on the stock market</p> <p>Software: Being regression analysis, Number of softwares like SPSS, EVIEWS, STATA are capable of estimating the model.</p>				

Template taken from Faff, Robert W., Pitching Research (January 11, 2015). Available at SSRN: <http://ssrn.com/abstract=2462059> or <http://dx.doi.org/10.2139/ssrn.2462059>

TWO	Two key questions
(H) What's New?	Studying the impact of influenza using multiple measures of stock market performance
(I) So What?	The stake holders are able to predict the stock market performance w.r.t incidence of influenza both nationally or internationally. The inclusion of cloud-cover in the model also enables the stake holders to predict the performance of the markets just by having a look at the daily weather report allowing them to invest accordingly.
ONE	One bottom line
(J) Contribution?	Providing a mechanism to capture the effects of influenza incidence (local, national and international) on the stock market using different measures of performance.
(K) Key Findings	<ol style="list-style-type: none"> 1. Influenza negatively affects the New York Stock exchange in terms of Dollar volume, number of trades, and turnover. 2. Increase in flu incidence is related to the lower volatility but high Bid-Ask spreads due to less information production (greater absenteeism). 3. Volume and volatility effects are more closely tied to New York flu incidence (local) with bid-ask spreads and returns more strongly associated with the US (national) flu incidence whereas for international markets flu is negatively related to trading activity and returns.