Decoupling of Stock Price and Credit Quality

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Why Fundamentals and Credit Risk Analysis Are More Relevant Than Ever

This article discusses the recent irrationalities taking place within the stock market (in stocks such as **GameStop** and **AMC**), what's driving these developments, what's to come, and why significant swings in the stock price may have very little to do with the credit quality or performance of a company. We attribute the surge to a short squeeze initiated by millions of retailer investors coordinating via social media (particularly on Reddit), and the rise in retail trading activity during the pandemic. Further, central bank stimulus has resulted in a low-rate environment, which has propped up stock prices across the board, while government stimulus may also be providing funds for consumers, who may not have otherwise been interested in the markets, to invest/speculate. Ultimately, this lends itself to less efficient markets based more on momentum and less on fundamentals. ***In this environment, a levelheaded approach, with a focus on the fundamental health and credit quality of the underlying business...***

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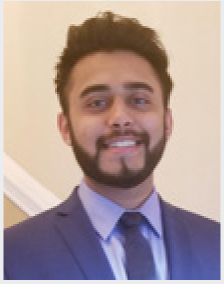
About the Author



Shivam joined Creditntell as a Retail Analyst in 2019. He covers multiple companies within the retail space. Prior to joining Creditntell, Shivam worked as an analyst in fixed income at Citi. Shivam graduated from Rutgers University with a major in Economics and a minor in Math. He was promoted to Senior Analyst in January, 2020.
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