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Study Objectives:
- To study the statistical relationship between the Kansas City Financial Stress Index (KCFSI) and S&P sector prices.

Research Approach:
- Univariate regression analysis

Model Specification:
- \[ \text{SPY}_t = a + b(\text{KCFSI}_t) \]
- \[ \text{S}_{i_t} = a + b(\text{KCFSI}_t) \]
- \( \text{SPY} = \text{S&P500 ETF} \)
- \( \text{S}_{i_t} = \text{Sector ETF's} \)
- \( i = \text{The } i^{th} \text{ Sectors} \)
- \( t = \text{Time in months} \)
- \( \text{KCFSI} = \text{Kansas City Financial Stress Index} \)

Time Periods:
- 2001-2012
- 2003-2007
- 2009-2012

Hypothesis:
- Market and sector prices inversely related to with KCFSI: \( b < 0 \)

Conclusion:
01-12 Period: Slope coefficient have right sign and statistically significant
- \( R^2 \)'s relatively low, highest for XLY: 34%

09-12 Period: Slope coefficient have right sign and statistically significant
- \( R^2 \)'s range from .50-.75, highest for XLF: 75%

03-07 Period: Majority of slope coefficients are positive and statistically significant
- \( R^2 \)'s quite low, little or no explanatory power

Summary: Hypothesis that \( b < 0 \) held true for 01-12 & 09-12.
- Persistent declining negative values for KCFSI during 03-07 period results in positive slope coefficients. Does not violate original hypothesis.
- All 3 periods analyzed suggest KCFSI has predicator capabilities. Weakest explanatory power in 03-07 period.
Stress Financial Conclusions and Market/Sector
Price Movement 2001-2012
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