



**Illinois Wesleyan University**  
**Digital Commons @ IWU**

---

John Wesley Powell Student Research  
Conference

2002, 13th Annual JWP Conference

---

Apr 21st, 2:15 PM - 3:45 PM

## Causes of Stock Market and Sector Fluctuations

Marty Gardner  
*Illinois Wesleyan University*

Robert Leekley, Faculty Advisor  
*Illinois Wesleyan University*

Follow this and additional works at: <https://digitalcommons.iwu.edu/jwprc>

---

Gardner, Marty and Leekley, Faculty Advisor, Robert, "Causes of Stock Market and Sector Fluctuations" (2002). *John Wesley Powell Student Research Conference*. 2.  
<https://digitalcommons.iwu.edu/jwprc/2002/oralpres4/2>

This Event is protected by copyright and/or related rights. It has been brought to you by Digital Commons @ IWU with permission from the rights-holder(s). You are free to use this material in any way that is permitted by the copyright and related rights legislation that applies to your use. For other uses you need to obtain permission from the rights-holder(s) directly, unless additional rights are indicated by a Creative Commons license in the record and/ or on the work itself. This material has been accepted for inclusion by faculty at Illinois Wesleyan University. For more information, please contact [digitalcommons@iwu.edu](mailto:digitalcommons@iwu.edu).

©Copyright is owned by the author of this document.

Oral Presentation O4.2

**CAUSES OF STOCK MARKET AND SECTOR FLUCTUATIONS**

Marty Gardner and Robert Leekley\*

Department of Economics, Illinois Wesleyan University

The stock market has been viewed as a proxy for the state of the economy. However, predicting changes in the stock market has not been an easy task. The Federal Reserve has the power to control, to some degree, the direction in which the stock market will move through monetary policy. While there are many variables that affect the stock market, my study focuses on variables that can be somewhat controlled, interest rates, inflation, real GDP, and consumer confidence. By understanding the relationship of how changes in these variables cause changes in the stock market, then we can effectively predict changes in the stock market. This can be useful in determining the future state of the economy. Furthermore, we need to understand how much of a change in these variables causes a certain amount of change in the stock market.

My study uses these four variables to predict changes in the stock market and the sectors in a rational expectations model. I found that these variables are very useful and significant in predicting future changes in the stock market and the three sectors I chose: consumer durables, consumer nondurables, and the financial. My results show that not only are these variables significant in predicting stock market and sector fluctuations, but the market is also very sensitive in slight changes in these particular variables. Given changes in these variables, we can accurately predict changes in the stock market. This is not only useful in determining the future state of the economy, but also can be very lucrative.