Information Driven Markets

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***Abstract -*  This project examines the impact of live news feeds on stock markets prices. It tests the hypothesis that different profiles of stocks are affected differently by news sentiment analysis.**

**Include:**

**Market makers and other trading parties.**

Who are them and what is their role in the market.

**Introduction to indicators and the problem with their lag.**

Market indicators are not useful because they only acknowledge the opportunity when it already passed. (Use examples of price correlations between different indicators).

**Entropy of a source**

What is entropy, the use cases (why is relevant), and how we will try to detect it.

**Trade Imbalance**

What is it, why is it relevant for the case study?

**Adverse Selection (page 277)**

What is it, why is it relevant for the case study?

**Decompressed vs Compressed Markets**

**Risk Management**

Some techniques for the different markets on the market. What is the relationship with information gain? Why is it relevant?

**Presence of institutional herd effect compared to information driven investments.**

**(Maybe news doesn’t affect the opinion of the investors on the stock, their confidence, and they take advantage of developing an imbalance. In that case, measure confidence on each stock and the impact of news to that confidence level.)**

we can use this connection between the redundancy of a sequence and its unpredictability (by marketmakers) to derive the probability of adverse selection