

Summary of <Front Page News: The Effect of News Positioning on Financial Markets>

Zeli Chen

April 13, 2024

1. What are the research questions?

- How does the location of news release get incorporated into asset prices?

2. Why are the research questions interesting?

- A number of theoretical models propose potential frictions that may prevent publicly available information from being instantaneously reflected in prices.
- However, tracing out incorporation of information in real time remains difficult, and requires a detailed understanding of the variation across individual pieces of information.
- So it's difficult to identify the causal effect of presentation of news on the way the underlying information is incorporated into asset pricing.

3. What is the paper's contribution?

- Contribute to the literature evaluating the impact of media on financial markets.
 - **Prior empirical strategies** for estimating the causal impact of media use exogenous variation in news arrival through weather-related disruptions , etc...(Engelberg and Parsons, 2011),
 - **This study** contributes to the literature by providing a clear counterfactual.
- Contribute to the literature that news release get incorporated into asset prices.
 - **Existing studies** rely on financial information.
 - **This study** provide systematic evidence that it is not enough to make financially-relevant information easily accessible.

4. What hypotheses are tested in the paper?

- **Hypothesis1(Immediate Market Response)** Front page news articles are followed by larger trading volumes and absolute price moves immediately (within minutes) after the news.
- **Hypothesis2 (Immediate Return Continuation)** Front page news articles are accompanied by higher continuation in the short-term price changes.
- **Hypothesis3 (Delayed Return Continuation)** Front page news articles induce lower continuation in the long-term price changes.

These hypotheses answer the research question, and follow from the framework that reflects standard models of limited attention and gradual information diffusion.

5. Sample

- Bloomberg is one of the largest financial news providers and a main source of news for finance professionals, making it an ideal setting to estimate the effect of attention to news on financial markets.
- The data include a natural experiment of quasi-random positioning for a subset of news articles. The news data are merged with market data to relate news presentation to trading volumes and price formation

6. Dependent and independent variables

- These variables concentrate on a subset of news articles that are sometimes prominently positioned, and sometimes not, depending on the volume of other articles released around the same time and not on the characteristics of the news articles themselves.

7. Regression/prediction model specification

- Using OLS with fixed effect while controls some typical firm variables, which is specific.

8. What difficulties arise in drawing inferences from the empirical work?

- Market Participants' Perceptions of News section only survey 25 current students at top MBA programs, lacking of generality.

9. Describe at least one publishable and feasible extension of this research.

- Other data source(Wind, Baidu)
- Working time/non-working time difference.