

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

Feng Lixuan

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1) What are the research questions ?

What the impact of the positioning of news on the Bloomberg terminal on the speed and extent to information is incorporated into asset pricing?

2) Why are the research questions interesting?

- Existed theoretical models propose that potential frictions may prevent public information from being reflected in prices.

-Tracing out incorporation of information in real time remains difficult.

3) What is the paper's contribution?

-Evaluate the impact of media on financial markets

This paper: the effect of news positioning on market reactions.

Prior studies: the impact of liquidity shocks, stale news, false news, post-earnings announcement drift on financial market(Foster et al., 1984, Bali et al., 2014, Loh , 2010, Fedyk et al., 2015, Carvalho et al., 2011, Marshall et al., 2014).

-Contribute to the literature on investor attention and information diffusion

This paper provides a evidence on how investor attention, influenced by the presentation of information, affects the incorporation of public information into asset prices.

4) What hypotheses are tested in the paper?

H1: Front page news articles are accompanied by higher trading volumes and absolute price changes. (based on theory: limited attention)

H2: Initial returns accompanying front page news articles are more likely to continue in the short-term. (based on theory: attention biases)

H3: Front page news articles induce lower longer-term price continuation.(based on theory: gradual information diffusion)

5) Sample: comment on the appropriateness of the sample selection procedures.

Sample: News on the Bloomberg terminal. The sample is well-suited to current analysis for two reasons:

First, Bloomberg is one of the largest financial news providers and a main source of news for finance professionals;

Second, the data include a natural experiment of quasi-random positioning for a subset of news articles.

6) Dependent and independent variables: comment on the appropriateness of variable definition and measurement.

Dependent variable: trading volumes; absolute price changes:

Independent variable: news positioning (ensures the news positioning is exogenous, which successfully reducing the likelihood of omitted variable bias.)

7) Regression/prediction model specification: comment on the appropriateness of the regression/prediction model specification.

The model captures the immediate and short-term effects of news positioning on financial market, which aligns with the research question of how news presentation affects market dynamics.

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

This paper's sample data from the Bloomberg terminal, may not represent all financial news platforms or investor behaviors.

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

-Consider more financial news platforms, or whether the research findings would differ in the Chinese financial market.

-Investigate the impact of news positioning on the accuracy of analyst forecasts, investor sentiment.