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

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1 Research questions

How does the *position* and *importance* of news affect financial markets(trading volume, price changes)?

2 Why are the research questions interesting?

• Media is of virtual importance in the following aspects of the financial market: price fluctuations, market response, and information dissemination.
• It's hard to capture causal effect between news positions and asset prices since news media prioritize important information.

3 What is the paper's contribution?

***(1)* Literature on evaluating the impact of media on financial markets**.
Previous literature: News positioning has a significant impact on financial market returns, and pricing. *Lawrence et al (2017)*
This paper: Proving that the prominence of information has a significant impact on the effectiveness of market reactions and the formation process of prices.
***(2)* Literature on identifying the different content value of news articles**
Previous literature: Considering textual characteristics such as sentiment, grammatical structure, and complexity. *Loughran et al (2014)*
This paper: Proposing an intuitive method (topic analysis) to identifying common topics in financial news and representing the news articles in terms of these prototypical areas of focus.

4 What hypotheses are tested in the paper?

H1: Front page news trigger quite high trading volumes and absolute excess returns immediately.
H2: Front page news show that most short-term returns have higher continuation.
H3: Front page news have lower continuation of returns in the long-term window.
a) Do these hypotheses follow from and answer the research questions?
• Yes
b) Do these hypotheses follow from theory or are they otherwise adequately developed?
• (1)investors are inattentive; (2)investors update their beliefs in a naive Bayesian manner.
• These hypotheses are drawn from theoretical framework of limited attention and gradual information diffusion.

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

• Bloomberg is an ideal environment for evaluating the impact of news attention on financial markets.
• The data include a natural experiment of quasi random positioning for a subset of news articles. This sample combines news data with market data, linking news presentation with trading volume and price formation. It captures the impact of news coverage on trading volume and returns.

6 Dependent and independent variables: comment on the appropriateness.

$Ret_{s,i[t+t_1,t+t_2]}$ is the main dependent variable of the paper; The independent variables include the return during the immediate period $[t, t+t_1]$ after publication of news article $Ret_{s,i[t,t+t_1]}$, the indicator variables FP_s, PI_s, and their products, which are comprehensive and complete enough.

7 Regression model specification: comment on the appropriateness.

The specifications address the hypothesis/assumptions in the paper, and they clearly demonstrated the linear relationship between the three indicators(return, positioning, and importance), as well as the corresponding economic and statistical significance. .

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

The additional analyses made in *section 6*, as well as the corresponding results. The last two results show that *'importance'* may have a higher impact on the market dynamics than *'position'* does.

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

Will the inclination of investors affect their judgment of different information, (i.e FP information published on Bloomberg might be different from that on Dow Jones Newswire), how would retail investors choose? How will the market reaction change after they choose different media information?

References

[1] Lawrence, A., J. Ryans, E. Sun, and N. Laptev (2017). "Earnings Announcement Promotions: A Yahoo Finance Field Experiment." Working paper, London Business School.

[2] Loughran, T. and B. McDonald (2014). "Measuring readability in financial disclosures." The Journal of Finance, 69.4: 1643-1671.