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

Summarized by Li Ziming

1 What are the research questions?

This paper researches the effect of presentation of news on financial markets and how the publicly available information is incorporated into asset prices in real time.

2 Why are the research questions interesting?

There are many potential frictions that may prevent even publicly available information from being instantaneously reflected in prices, thus tracing out incorporation of information in real time requires a detailed understanding of the variation across individual pieces of information.

3 What is the paper's contribution?

This paper contributes to the literature by providing a clear counterfactual. Existing literature has studied the impact of media on financial markets. This paper finds that the price formation process is efficient only for especially highlighted news.

This paper also supplement the research on the market efficiency and the role of media in information dissemination.

4 What hypotheses are tested in the paper? list them explicitly.

H1: The front page news articles are accompanied by larger immediate trading volumes and absolute price changes.

H2: The initial returns accompanying front page news articles are more likely to continue in the short-term.

H3: The front page news articles induce lower longer-term price continuation.

5 Do these hypotheses follow from and answer the research questions?

Yes.

6 Do these hypotheses follow from theory or are they otherwise adequately developed? Please explain the logic of the hypotheses (use visualization if possible).

The development of these hypotheses is motivated by the growing literature evaluating the impact of media on financial markets and based on a theoretical framework that reflects standard models of limited attention and gradual information diffusion.

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

This study exploits a natural experiment based around a category of Bloomberg news articles whose placement depends on the contemporaneous volume of other articles, rather than on their own content. And uses a hand-collected sample of news between March 2014 and December 2015. This hand-collect work is subject to human error and is not verifiable.

8 Dependent and independent variables: comment on the appropriateness of variable definition and measurement (focus on the key dependent and independent variables).

News is divided into three categories based on the position and frequency it appears: the primary important, the secondary important and all the others.

The paper draws on previous research methods to measure price level, absolute price change, price continuation and trading volumes.

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

The regressions compare the expressions for price changes, trading volumes, and price continuation for front page and non-front page news, and tests differential market dynamics following different article positions by running the regressions over different time windows.

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

The samples in the PI and SI group have systematic bias and the number of observations in the different groups is imbalanced.

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

The behavior of companies and analysts can also be affected by the position of the news delivered. Therefore, we can research the effect of news positioning on the behavior of companies and analysts.