Introduction

"If you don't read the newspaper, you're uninformed. If you do, you're misinformed." Mark Twain's cynicism about the media feels more appropriate than ever. On the second of April 2008, The New York Times posted an optimistic article about Dow Jones, S&P 500, and Nasdaq. The author Grynbaum, mentions that the Lehman Brothers sold $4 billion in preferred stock options "in a move to dispel a swirl of rumours about its stability" (Grynbaum, 2008). This comes a few months before the article by Sorkin (2008) Lehman Files for bankruptcy and triggers the start of the global financial crisis.

No one has a magic ball that could predict Lehman's bankruptcy in 2008 or the global financial crisis, but how did that article of Grynbaum (2008), optimistic sentiment influence liquidity, returns, and volatility within the Dow Jones, S&P500, and the Nasdaq? The article of Grynbaum Mentions elementary financial market jargon and the everyday person believes all is going well? This failure to mention current macro-economic trends, historical context, and financial problems involved with Lehman Brothers can lead to an "Availability Heuristic" where normal people's decisions are influenced by the most recent information available without considering past events (Tversky & Kahneman, 1973).

The intersection between economic events and media sentiment is an increasingly studied domain from computer scientists, financial journalists, and economists alike. A paper by Kräussl & Mirgorodskaya (2017)Investigated the long-term effect of media pessimism or negative sentiment and found that negative sentiment is associated with negative market returns, 14 to 17 months in advance. Kräussl & Mirgorodskaya Also found positive market correlations between negative media sentiment and market volatility. Some key investor behavior they concluded was that investors underreact initially and later overreact. This panic behavior was also indicated in a research paper from Jabeen et al. (2022), where negative media sentiment or economic news lead to investor panic and premature withdrawals of funds from markets.

The importance of investors is also highlighted in the paper by Fisher et al. (2017), where the paper highlights investor attention increases around key announcements and business cycles, with the effect being asymmetric where negative media generates more attention than positive attention. When attention increases there is increased trading volume and volatility depending on the type of media being displayed around key financial and business cycles. This creates a quasi-belief that cyclical investors impulsively react to media sentiment with an availability heuristic and without due diligence.

Thus, I believe that there are areas within the research that would benefit from additional research or explanation. Jabeen et al. (2022) Choose to identify 3 independent countries or markets to compare cross border impacts but only chose to focus on 6 companies per United Nations economic area, this is somewhat a lack of detail as there is 2 123 listed domestic and international companies registered on the New York Stock Exchange (Number of Listed Companies on the New York Stock Exchange (NYSE) from 2018 to 2024). I want to expand on specifically focusing on the S&P 500, Nasdaq, and Dow Jones. These 3 markets represent all the most influential and desirable companies.

Considering the article by Grynbaum (2008) having optimism on one occurrence may not be enough to ward off past and future expectations. I believe that media sentiment and reality mismatch is under-researched; media sentiment can drive financial markets in the long- and short-run as shown in Kräussl & Mirgorodskaya, but is the media sentiment accurate to the present state of the world? By evaluating media sentiment against present macroeconomic trends and financial markets we can evaluate an accuracy rating towards the generated sentiment and the world state at any given time. Fisher et al. (2017) Gives us a good guideline to what macro-economic topics to focus on and evaluate. Fisher et al. Evaluated the impact of attention indices and how they reacted to given announcements. My research aims to build on detailed search words for the category of newspaper search words and expand on them to view how each different sentiment impacts the selected markets.

This research aims to investigate how media sentiment surrounding macroeconomic events reflect stock market return, volume, and volatility, and how media biases over time compared to business cycles and market confidence levels. By being able to determine how media sentiment can directly and indirectly impact market return, volume, and volatility. By understanding this, we can see how sentiment can relate to economic and market conditions on a larger market scale, We can also see how much volatility can be attributed within the larger market and what macro-economic conditions create more market disruptions.

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