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HON 112 H008

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Sentiment swings: How news and social media influences the financial markets

In today's fast-paced digital age, the financial markets are not only driven by economic indicators and corporate performance but also by the instantaneous circulation of news through various channels. Imagine you’re scrolling through X (former Twitter), sipping your morning coffee, when suddenly, a tweet from Elon Musk catches your attention: “One word: Doge." How would you react? Most of us would run up and put in buy orders for Dodge Coin before it skyrocketed from $0.12 to $0.147, gaining around 26 percent in a short duration of two hours. Back in the 1900s, when the internet was not as popular, traders had to be physically present on the floor of the bustling stock exchange or have brokers buy for them, but nowadays, in the world of fast-paced internet and easiness to trade financial derivatives, it has given popularity to internet influencers and ease to manipulate retail traders. News used to play and has been playing significant role in influencing financial markets. From traditional newspapers and televised interviews to modern online news portals, podcasts, and social media platforms, it is now easier to manipulate the psychology of retail traders through instantaneous news, creating a Fear of Missing Out (FOMO) effect in them. However, while traditional media, provides information that influences long term investment strategies in the US stock market, social media influencers, with their focus on hype and emotional manipulation, primarily impact short-term stock price fluctuations, particularly for companies with high volatility and a large number of retail investors.

Traditionally, financial news outlets such as CNBC and Bloomberg, along with established publications such as The Wall Street Journal, have been the primary sources of information for investors on Wall Street and around the world. These media outlets are proven and trusted to provide quick market announcements, in-depth analysis, company reports, and other indicators among the investor's community (Kolakowski). And especially among the investor community, hedge funds, which account to just 8% of all financial professionals reading financial news, are the first one to consume any financial news (Fedyk 3). But just amounting to 8% of all financial news readers, hedge funds accessing the news can significantly increase the volume in the stock market, influencing the market (Fedyk 3). However, the stock market does not revolve around hedge funds only; if so, they were making infinite amount of money trading stocks, which is practically impossible. As everything in the economy follows the law of supply and demand, so does the stock market. If more people want to buy a stock, its market price increases, whereas if more people are trying to sell a stock, it price falls (Beers). But what causes people to buy or share a stock? As stated by a research paper, “positive sentiments have a significant positive effect on cumulative abnormal returns, whereas negative sentiments have a significant negative effect on cumulative abnormal returns on stock performance” (Raman, Raji, et al. 5). Negative news, such as bad earning reports, unfortunate occurrence, normally cause people to sell the stocks, decreasing the stock price, whereas positives news, such as good earning reports, an announcement of new products, corporate acquisition and positive economic indicator, causes people to buy stocks, increasing the stock price in long run (Beers).

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HON 112: Research Essay Reflection and Self-Assessment Sheet

Name: Saleep Shrestha

1) Is your research essay formatted correctly? This means it should have a header that numbers all pages consecutively in the upper right-hand corner, one-half inch from the top, and flush with the right margin. \_\_\_\_\_\_

2) Does your essay have a correct works cited page? The essay should be in 12 pt., legible font (e.g. Times New Roman), double spaced (with no additional spacing between paragraphs), and with 1” margins. \_\_\_\_\_\_

3) Does your essay include a clear beginning, middle, and end? Is it well-organized so your reader can follow your argument or exploration successfully? \_\_\_\_\_\_

4) Do you make a nuanced claim/question in your essay? \_\_\_\_\_\_

Have you conducted compelling research that illustrates your ability to collect sources relevant to your research questions, and is this research obvious in the final product you’ve created? \_\_\_\_\_\_

5) Do you do an effective job of synthesizing your sources fluidly and ensuring that you’ve used summary, paraphrase, and quotation in ways that allow us to understand your position about the positions of your sources? \_\_\_\_\_\_

6) Did you include at least three peer-reviewed sources? \_\_\_\_\_\_

7) Have you written tight and well-developed paragraphs that relate to the exploration/claim you are making in your essay? \_\_\_\_\_\_

8) Do you establish relevance related to your line of questioning; in other words, do you think your readers have a takeaway and sense the significance and value of the research project? \_\_\_\_\_\_