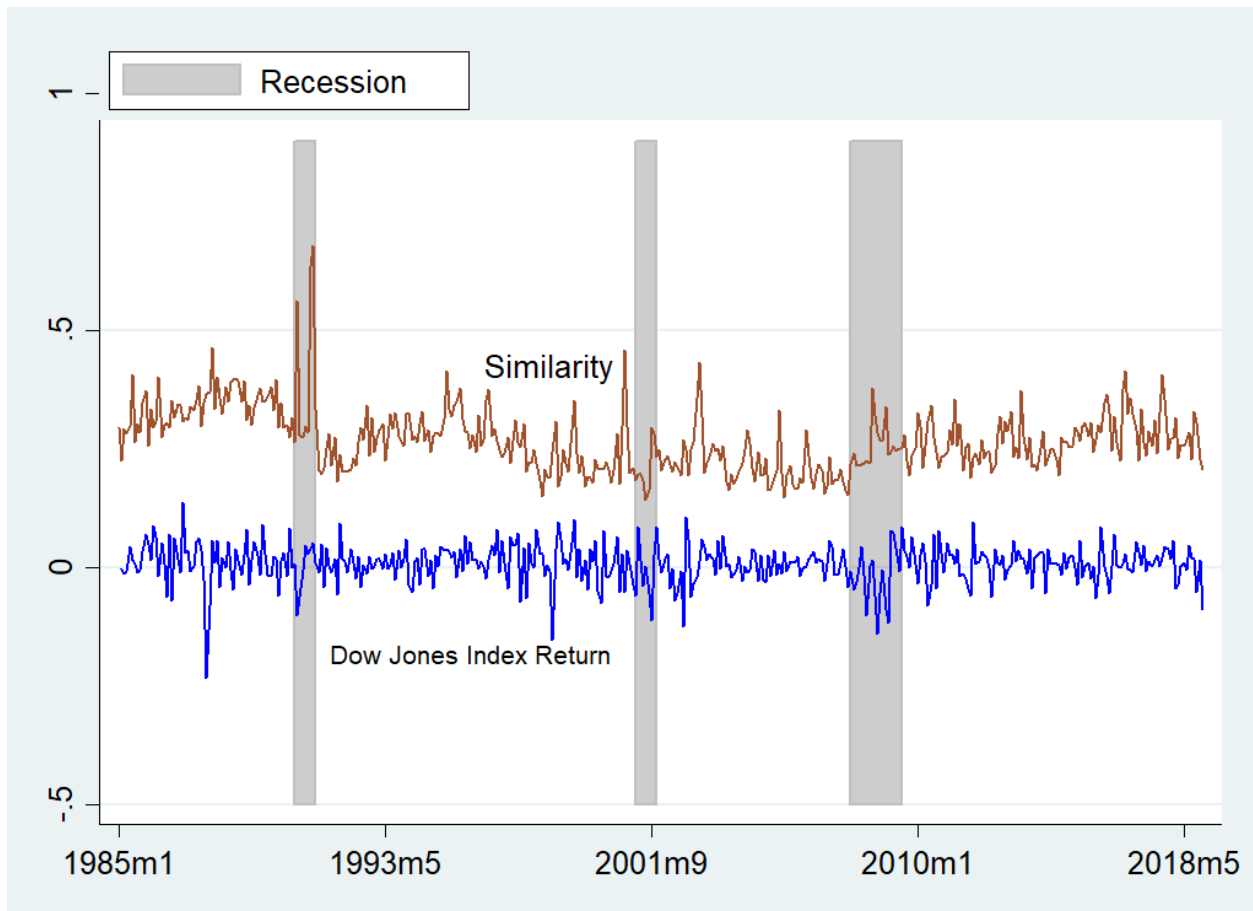


Figure 1: The Relation Between Stock Return and Media Similarity



This figure shows that there is a positive relation between dow index return and similarity index among all major media news. This relation is more significant in recession period. One possible explanation is the difference in the news media may represent the amount of information about the market. When the information is more diverge, investors may fear the decreasing of market and start to sell the stock. However, we do not find this positive relation in most recent years especially in most recent recession period. I would hypothesis this decreasing in positive relation may due to the introduction of social media which makes the traditional media as the secondary source for information acquisition. I will explain this relation in my second plot.