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Media Similarity and Stock Market Reaction

Wenyao Hu | 11/19/2019

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Motivation

- Different media outlets may have different taste and preference in selecting information that they want to broadcast
 - Media Slant
- Question: how the difference in broadcasting news influence investor's reaction?
- Two Conflict Predictions
 - More Similarity in News → Less Uncertainty → Increase Market Return
 - More Similarity in News → Limited Attention to Stock Market → Decrease Market Return



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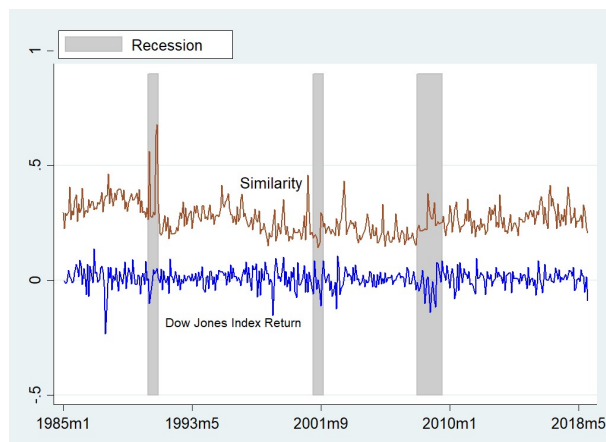
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Methodology & Data

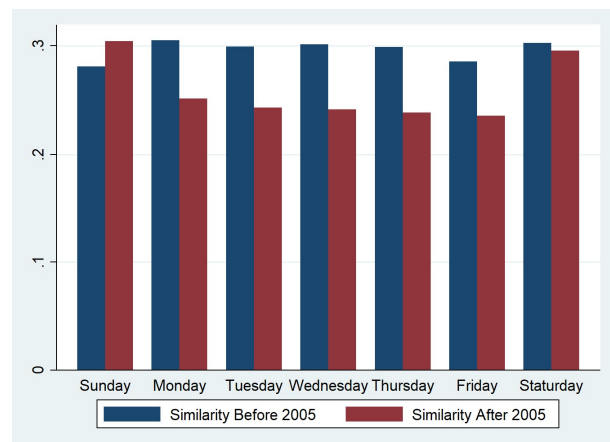
- Data
 - News Data: Evening News Data from Vanderbilt University
 - ABC, CBS, NBC, CNN (From 1968-present)
 - Stock Market Reaction: Yahoo Finance
 - Dow Jones Index (From 1985- present)
- Methodology
 - Daily TF-IDF Cosine Similarity between news content in evening news
 - Sample Period: 1985- 2018
 - Aggregate into monthly data

3

Preliminary Result



Relations between News Similarity and Stock Return



Effect of Social Media on News Similarity

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