

# Predicting Market Reactions to Earning Calls

How Language Predicts Stock Moves

A Simple Guide to Understanding Financial Forecasting Beyond the Numbers



# The Secret Ingredient: Why Executive Language Matters More Than You Think



## Traditional Analysis

**Focus:** Financial results only

Revenue, profit, earnings per share

Limited to historical data



## Our Approach

**Focus:** How executives speak

Tone, confidence, clarity, outlook

Reveals hidden insights & future direction

## The Opportunity

Executives reveal their true outlook, confidence, and uncertainty through their words during earnings calls. This language contains valuable, predictive information that can help forecast stock performance.


# Smart Selection: Why We Focus on the Giants

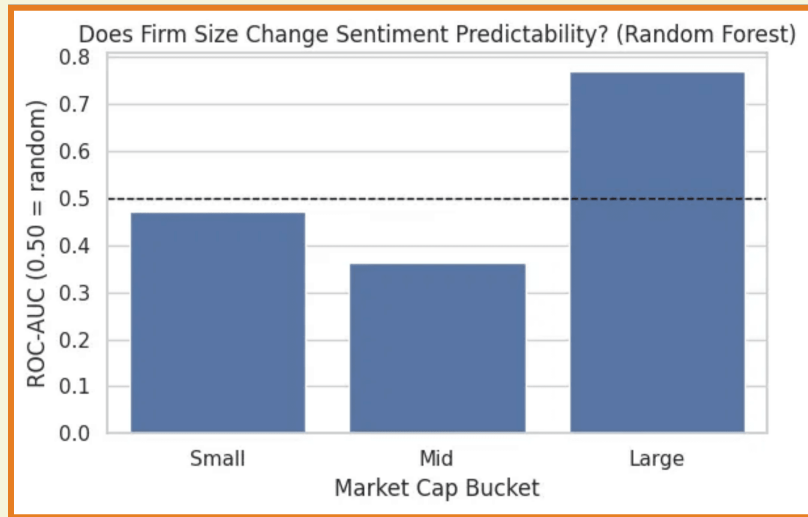
## The Strategy

We don't analyze every stock. We focus exclusively on large, well-known companies from the S&P 500.

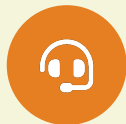
## The Data Proof

Our analysis shows that **Large Cap firms** are significantly more predictable than smaller ones.

 **Key Finding:** Language analysis works best on established companies where executive communication is professional and consistent.



# Capturing the Moment: Turning Spoken Words into Data



## Earnings Call

Company executives discuss results with investors



## Transcript

Convert spoken words into written text



## Time-Stamp

Link to specific date and time



## Data Event

Structured data ready for analysis

## Why This Matters

**The Source:** We gather transcripts of earnings calls for every selected company.

**Raw Language:** Transcripts provide the exact, unfiltered words used by executives.

**Time Connection:** Each event is tied to a specific date, linking language to market reactions.

**Structured Format:** This creates a foundation for sophisticated language analysis.

# Tool 1: The Quick Read - Measuring Simple Sentiment



**Positivity**

+0.72



**Negativity**

-0.15



**Neutrality**

0.58

## How It Works

### The Goal

Get a fast, objective measure of the language's emotional tone.

### What It Measures

Counts positive and negative words, then calculates a simple sentiment score.

### The Output

A simple, easy-to-understand Sentiment Score that ranges from -1 (very negative) to +1 (very positive).

### Best For

Quick analysis and baseline understanding of overall tone in earnings calls.



Simple Sentiment Score

# Tool 2: The Deep Dive - Understanding Financial Nuance

## Tool 1: Simple Score



Fast, objective measure of emotional tone

Positive / Negative / Neutral

## Tool 2: Expert Score



Advanced system trained on millions of financial documents

Financial Language Expert

## What It Measures



### Confidence

How certain the speaker sounds



### Uncertainty

How often they hedge statements



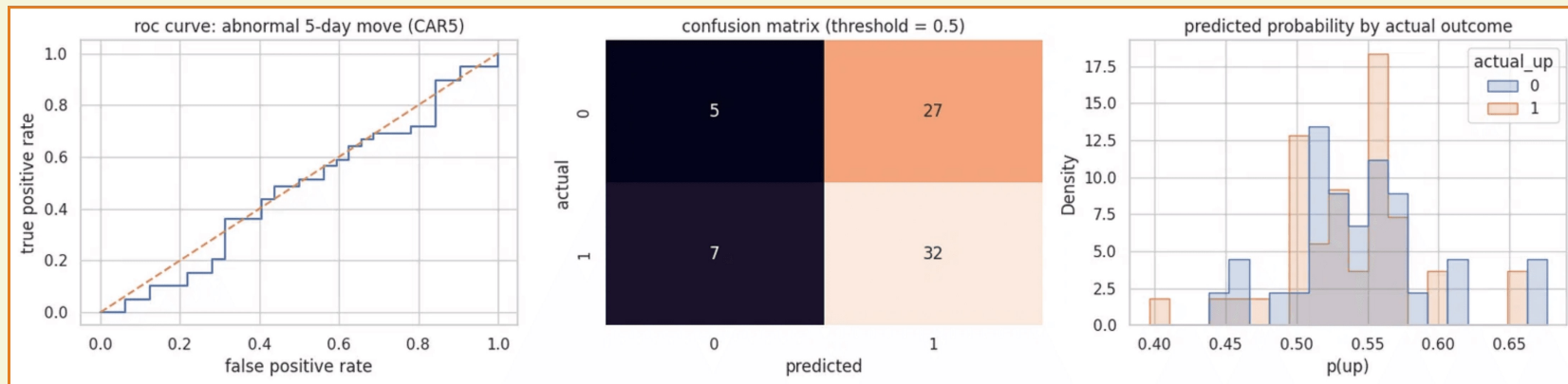
### Tone Consistency

Is the message clear or mixed?

## The Advantage

This expert tool captures complex, subtle signals in financial language that simple tools miss, giving us a richer and more accurate picture of the executive's true outlook.

# The Moment of Truth: Measuring Model Accuracy



ROC Curve (Left)

Confusion Matrix

Prediction Power

# The Ultimate Test: Can Language Predict the Future?



## The Core Questions We're Testing:

Based only on tone and style of the call, can we predict stock outperformance?

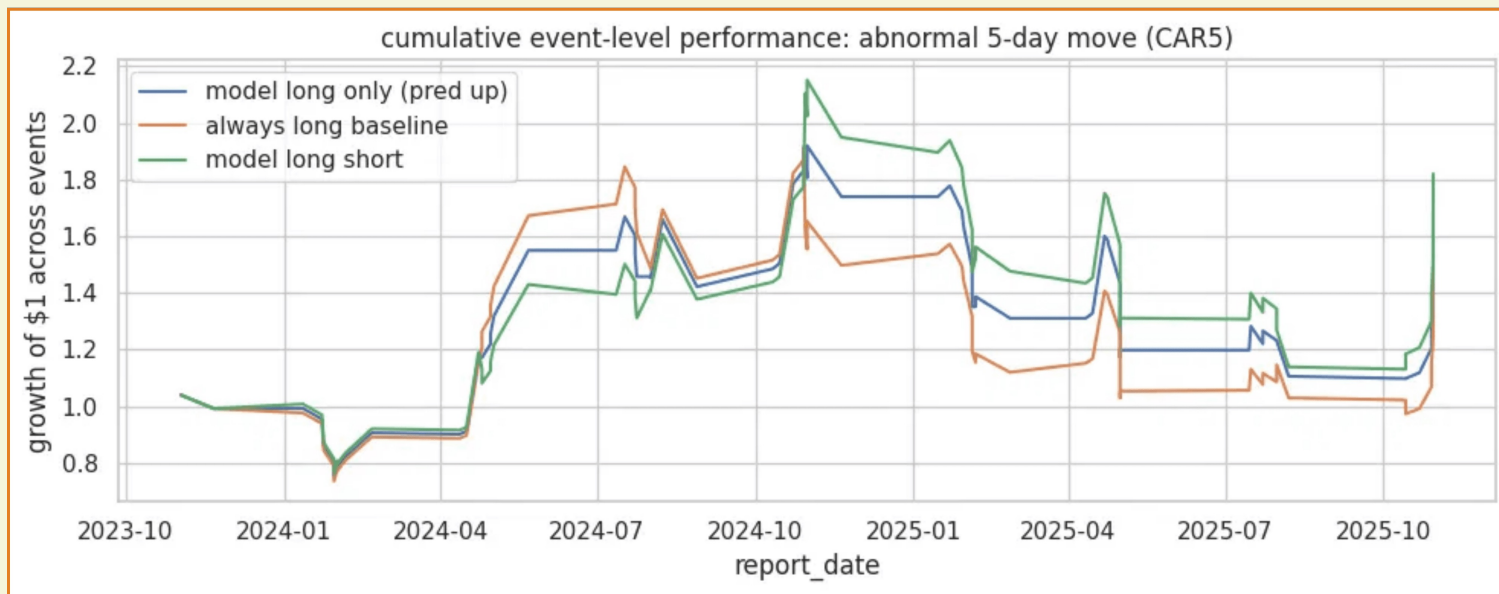
Do simple prediction methods work, or do we need advanced techniques?

Is executive language a true leading indicator of stock movement?

**Comparison:** We test simple methods against more advanced, complex models to determine which approach works best for predicting stock performance from language alone.



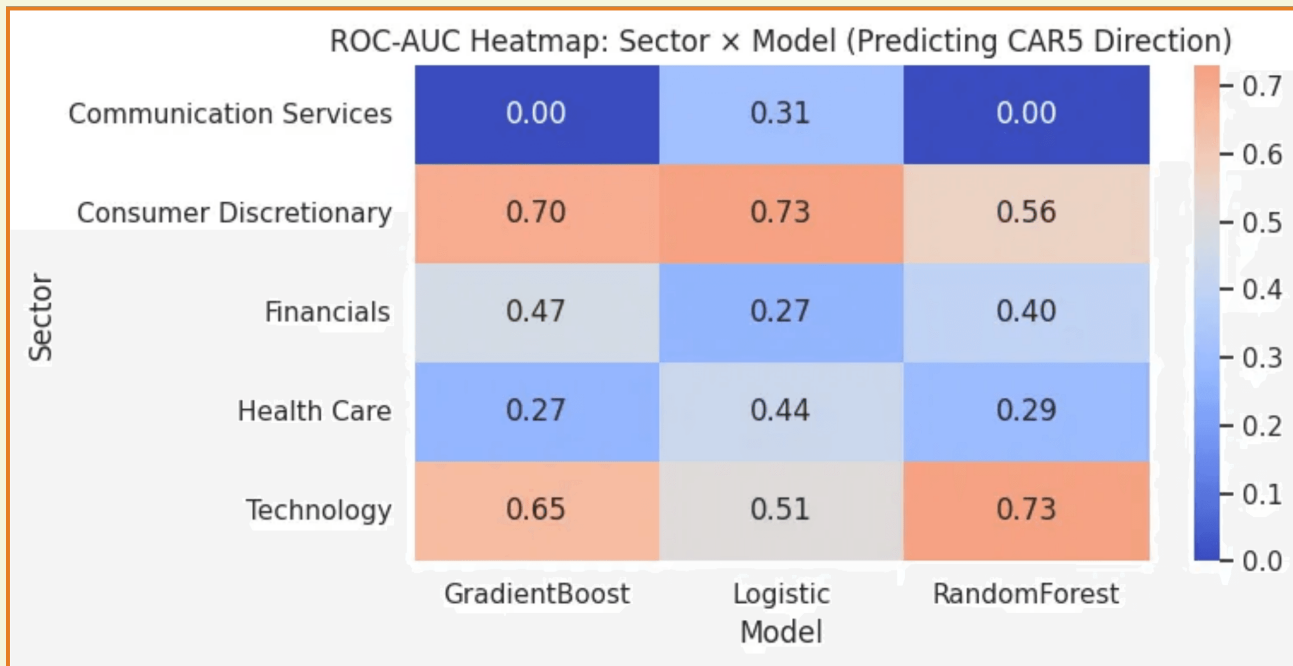
# Real Results: Does It Actually Make Money?



● Model Strategy (Blue Line)

● Market Baseline (Orange Line)

# Sector Analysis: Where Does Language Matter Most?



investor confidence.

***“Language shapes expectations,  
but markets decide whether those  
expectations matter.”***