

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

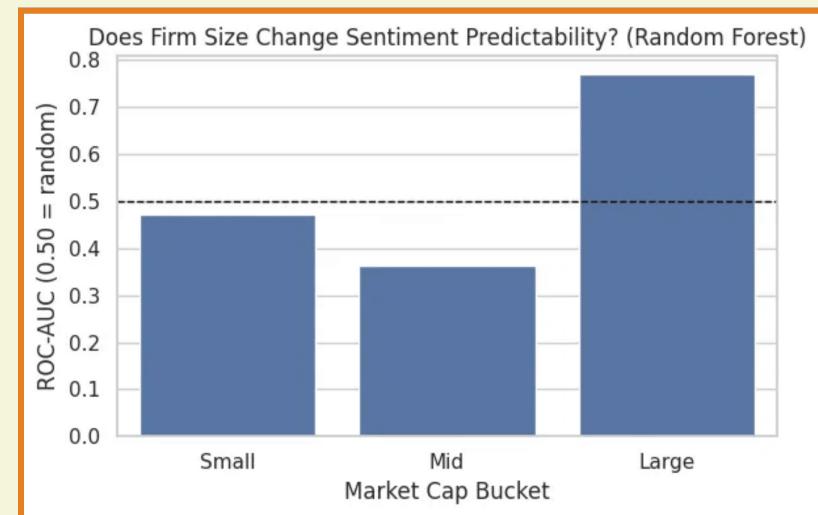
The Strategy

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



Transcript



Time-Stamp



Data Event

Company executives discuss results with investors

Convert spoken words into written text

Link to specific date and time

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



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



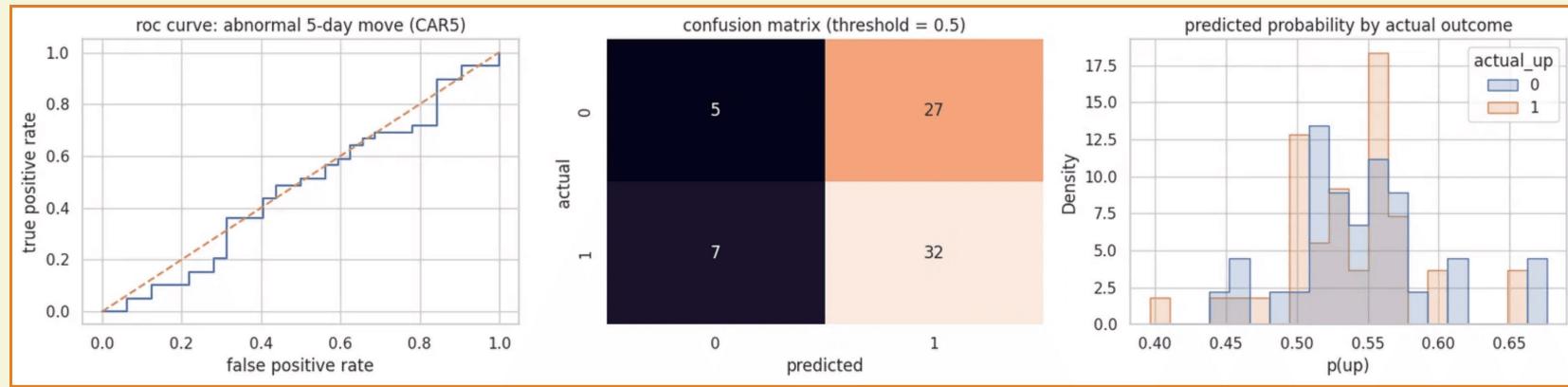
Tone Consistency

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:

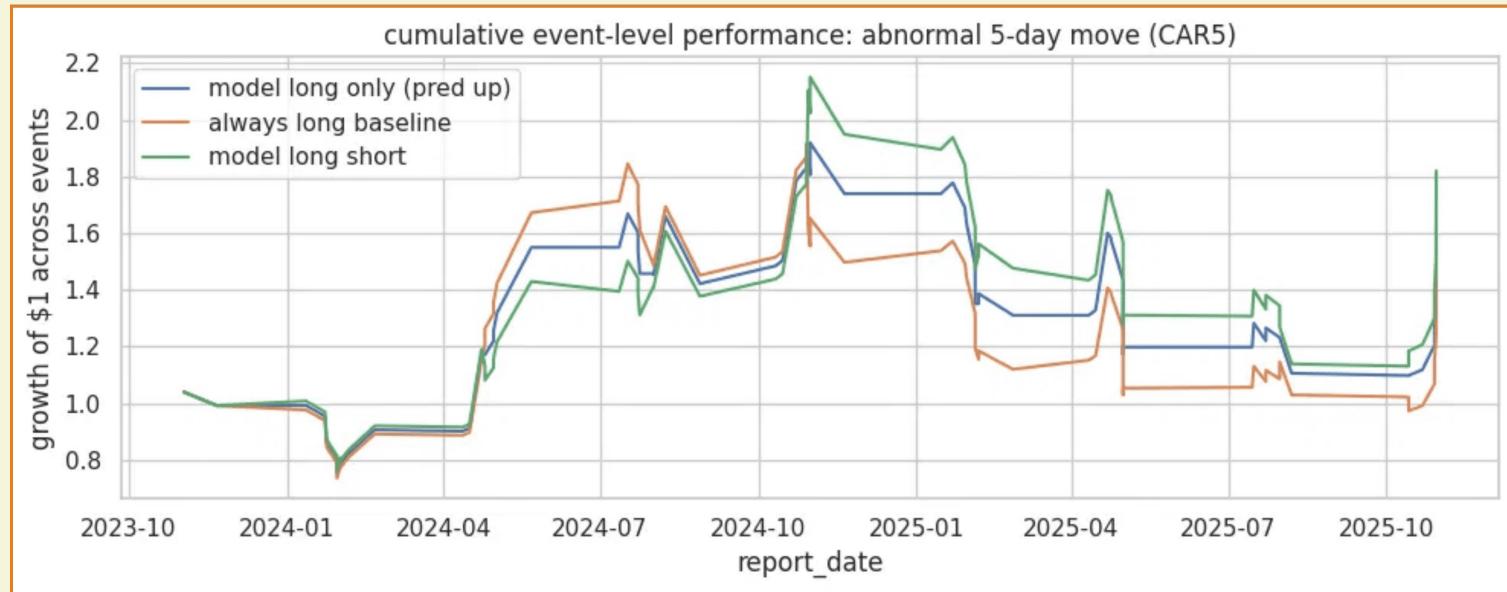
Based only on tone and style of the call, can we predict stock outperformance?

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

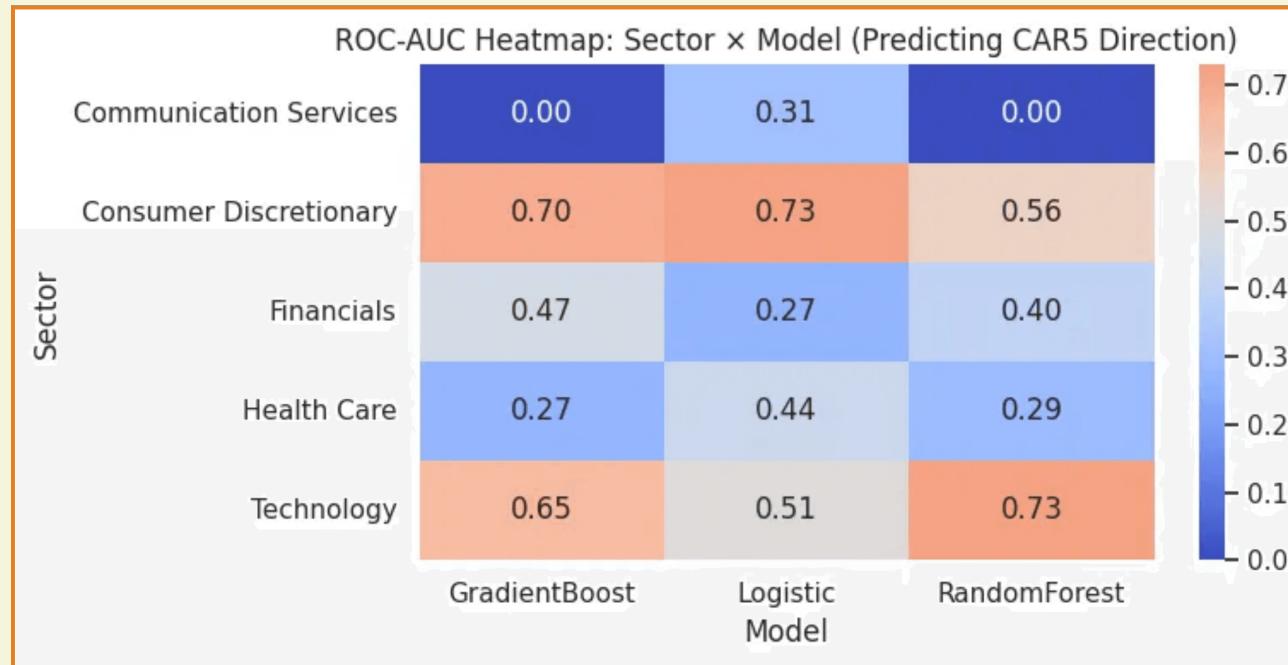
Is executive language a true leading indicator of stock movement?

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?



Sector Analysis: Where Does Language Matter Most?



investor confidence.

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