Title: **NEWS VERSUS SENTIMENT: PREDICTING STOCK RETURNS FROM NEWS STORIES**

Speaker: **STEVEN L. HESTON**
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Importance: Why this matters:

The use of textual analysis to create signals of positive or negative sentiment has shown promise and can be expected to become more prominent in the future. Recent evaluations of textual analysis services have indicated short term information value, but little longer term value. This paper discovers situations where news content has longer term effects.

Investigation: "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

Thomson Reuters provided Heston and coauthors with a database of sentiment indications for 7 years, covering over 900,000 stories.

The paper distinguishes between "bag of words" methodology vs more sophisticated lexical and sentiment pattern analysis.

The analysis distinguishes on negative/positive signals, capitalization deciles, and cumulative impact.

Innovation: Are there new techniques of interest in the data or approach to the problem?

The analysis is straightforward; what is innovative is the use of lexical analysis to distinguish positive from negative signals.

Insights: 1-2-3, what are the three most important things the speaker offered?

1. Positive news affects prices within a week, but the study shows that negative news predicts low stock returns up to one quarter. The delayed reaction to news around subsequent earnings announcements is most significant.

2. Comparison of return patterns across different types of news may enhance our understanding of how markets process non-quantitative information.

3. Do not buy stocks with negative news in the past quarter.

Audience rating: 3.60