

Executive Summary

Starting with a brief overview of literature surrounding the topic of news analysis this thesis clearly demonstrates the difficulties accompanying the study of news effects on financial markets. At the same time, different approaches to tackle the issue are presented. It shows that these can be divided into two main categories. On the one hand side there are what in this thesis shall be called “passive approaches” using indirect measures for investor sentiment such as news items released by the media. These are considered to be an indirect measure, since there is no actual guarantee that investors really perceive a particular news item to be worth their attention. On the other hand side there are what in the following shall be referred to as “active approaches” using direct measures for investor sentiment such as requests to a news provider’s website performed by users of the provided services. Search queries are undoubtedly a direct measure due to the fact that actively looking for something requires paying attention to it. Now that these conceptual terms have been developed, the question arises of whether active data has the potential to outperform passive data in terms of its explanatory content regarding the news impact on financial markets. This is in fact the core question of this thesis and to the best of the author’s knowledge this is the first study that makes such a rigorous comparison. By contrasting these two forms of measurement interesting results are obtained. It can indeed be shown that active data seems to be more corresponding to absolute price action as well as to volumes traded than passive data does. As to what extent these findings can be generalized, is, however, less clear. Therefore the paper concludes by making some propositions for future research specifically addressing this issue.