

Trading with the Irrational Behaviour of Investors Related to Incoming News

Bachelor Thesis

in

Behavioural Finance

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Executive Summary

This thesis examines the behaviour of investors related to incoming news. Further, possible irrationalities of investors and their influence on stock prices are covered. In the empirical research, a sentiment score of news with the Thomson Reuters News Analytics database is calculated. It is found that the sentiments of news are significantly different one day after extreme returns and on the day itself. Additionally, a momentum strategy using these differences of incoming news was calculated ending in a significantly higher Sharpe-Ratio than the S&P 500 Index on an investment horizon of three days between 2003 and 2010.