SOCIAL MEDIA AND STOCK PRICES ON STOCK MARKET

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Abstract

This study implies the impact of conventional news media and social media coverage on stock market instability and trading volume. The objective of this paper develops a speculative representation of asset pricing and information dispensation, for both normal traders and a diversity of regularly deliberate behavioral biases. This paper yields a number of narrative and testable predictions about the conventional news and social media impact on asset prices. This study measures the exposure of individual stocks in news media and social media by means of a wide range of its feature and online sources. Social media coverage with stock market shows high distinctive instability of returns and trading volume in a month and in the same following month by high experience of conventional news media coverage with low instability and trading volume. These affects are economically and statically important and vigorous to control stock and time set effects as well as time varying effects.

The observed verification on news media is steady with a market in which some traders are bombastic when interpreting latest information.

Keywords: conventional news media, social media, deliberate behaviour, instability, trading volume.

Introduction

Social media poses an entirely new challenge for reputation management because the positive or negative sentiments previously shared by consumers, clients or investors with their personal networks is now amplified— beyond their control, beyond traditional media and beyond normal PR techniques. And as the public’s collective trust in the media fades, trust in information shared socially is on the rise.

A recent study by Nielsen found that 84% of consumers trust recommendations from family and friends more than any other forms of advertising. So we know that social media has a huge influence on buyer behavior in the consumer world, but how does that influence translate into the financial world?
In 2010, Australian airliner QANTAS first felt the brunt of social media’s inclination to trust “straight from the horse’s mouth” sources when a misinformed tweet about a plane crashing in Indonesia lead to false media reports and a huge drop in the company’s share price.

QANTAS Chief Executive Officer Alan Joyce told The World Today, “we first noticed a problem when our share price started to collapse, and that’s because of these reports coming out of Twitter.”

As the stock fell, the plane in question was still in the air.

Last year we witnessed one very extreme example of the impact social media can have on the entire financial market, when the Associated press, Twitter account was hacked, and a fake tweet was published that announced President Obama had been injured in an explosion at the White House.

Although the account was suspended and the information was corrected as quickly as possible, the immediate effect this misinformation had on the stock market was astounding. Over $130 billion in stock value was wiped off the market in a matter of seconds, the S&P500 declined 0.9%, and high frequency trading algorithms wreaked havoc.

**Objectives:**

1. Practical implications on social media
2. Social implications on social media
3. Originality or value of social media

**Research Methodology:**

Hypotheses testing related to the effect of social media platforms on firm value, the event history analysis (EHA) was used, also known as event study, usually designed to observe the force of a historical phenomenon for the US Fortune 500 firms that developed a Twitter platform.

**Volatility:**

Volatility of stock market returns in financial market system can be a major uncertain block for attracting investment in small developing economies. Higher returns and lower level of volatility is taken to be a indication of a developed market. India with its own long history and China with its short history, both provide as high a return as the UK and the US market could provide but the volatility in both of the countries are higher.
Trading volume:

Trading volume denotes, the terms volume represents the number of units that change hands for stocks or futures contract over a specific time period. Stock Traders reply on it as a key metric because it lets them know the liquidity level of an asset, and how easily they can get into or out of a situation close to the current market price, which can be a moving target.

Buying Volume and Selling Volume

If the trade volume is higher, it is easy way in time of buying and selling large or small quantities of stock, because other traders are in the market, waiting to fulfill the other side of your trade.

Every transaction be required to have a buyer and seller. To acquire a stock, for example, a seller must sell to you, and for you to sell, a buyer must buy from you.

There are some confusion over the phrase like: The sellers are in control.

- Volume of Buying is outstripped in the volume of selling.
- Deep buying of trade volume.

For buying, buyers must have control over when the price gets pushed higher. Buying of trade volume occurs at the offer price, and represents the lowest advertised price at which sellers will part with their shares. When someone buys shares at the current offer price, it shows that someone desires the stock and represents buying volume.

For selling, Sellers must have more control when the price gets pushed lower. Selling of trade volume occurs at the bid price. The biding of price represents the highest advertised price buyers will buy at. If anyone wants to sell at the bid price, it shows that the seller doesn't desire the stock and this demonstrates an example of selling volume.

Empirical prediction methods:

Fundamental analysis

Fundamental Analysts are concerned with the company that underlies the stock itself. The fundamental analyst assesses a company's past performance as well as the credibility of its accounts. Numerous measuring performance ratios are created that aid the fundamental analyst with assessing the validity of a stock, such as the P/E ratio. It perhaps with Warren Buffet the most famous of all Fundamental Analysts.
It built an confidence that human society needs capital to make progress and if a company operates well, it should be rewarded with additional capital and result in a surge in stock price. It is broadly used by fund managers as it is the most reasonable, objective and made from publicly available information like financial statement analysis.

It also refers to that is beyond the bottom-up company analysis, it refers to top-down analysis from first analyzing the global economy, followed by country analysis and then sector analysis, and finally the company level analysis.

**Technical analysis**

It is not concerned with any of the company's fundamentals. The analysts establish the future price of a stock based solely on the trends of the past price (a form of time series analysis). Several patterns are employed such as the head and shoulders or cup and saucer. Besides the patterns, techniques are used such as the exponential moving average (EMA). Candle stick patterns, believed to have been first developed by Japanese rice merchants, are nowadays widely used by technical analysts.

**Measuring ‘BUZZ’ in social media:**

1. **Think about evaluation at the start of campaigns.**

   Plan the measurements through the planning stages instead of at the tail end. Whereas you may have to adjust campaign plans (by calibrating the weights of certain activities or introducing A/B tests), it’s much more effective to begin with the end in mind. The finest way is to honestly and realistically define objectives, such as building brand awareness, driving leads, improving customer support or collecting consumer feedback.

2. **Start with the basics.**

   Social is no different than other campaigns. Look upon as the purpose, priorities and timing of your evaluation. Evidently defines which decisions your evaluation will inform and when you need the insights. There is no one size fits all approach. It desires to select the appropriate data and methodology for your brand and your campaign objectives. In case, if your main objective is brand awareness, you’ll want to look at community growth, as well as sentiment and share of voice. Intended for lead generation, set up special links to track customer behavior. Meant for customer support, compare dips in calls/emails versus rises with online requests or response times.
3. **Avoid silos and look for context.**

Social should never live alone. It is just one part of your marketing campaign and should be evaluated as such. It meant that you’ll need to factor in both long and short-term goals. Activities with call-to-actions, for example, competitions calling for likes, will inevitably result in greater immediate response and online engagement, but they may not necessarily be set up to indicate long-term effects. In adding up, looking at the data in context with other marketing objectives, you can see patterns and correlates that might be overlooked if data sits alone.

4. **Consider content classification for various goals.**

A few content or initiatives will be more effective for some objectives. A/B testing helps you measure this. You’ll learn what drives conversions and click-throughs, which, ultimately, enables you to understand the ROI on the time and creative spent on your campaigns.

### IDIOSYNCRATIC VOLATILITY AND CONCLUSION:

1. Unconditional and conditional idiosyncratic volatility estimated employing the liquidity augmented five factor model and conditional GARCH specification model.

2. It uses the decided portfolio approach to identify the stock returns predictors.

3. It show the presence of idiosyncratic risk in the emerging market and quantify the significance of the firm specific factors that explain idiosyncratic volatility.

4. Size, book-to-market, momentum, liquidity, cash flow to price and returns on assets are significant determinants of idiosyncratic volatility.
References:

- All related websites of social media