

Is Corporate Tweeting Informative or Is It Just Hype? Evidence from the SEC Social Media Regulation

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Summary

This paper analyze if corporate use of Twitter is "informative" or "hype"

- Informative: Tweets that correspond to both an increase in trading volume and a change in company's stock return that is not subsequently reversed
- Hype: Tweets that correspond to an increase in trading volume with no change in company's stock return

The main finding of the paper is that corporate tweeting after Reg-SocMedia (April, 2, 2013) is informative, while before the regulation, it is hype.

Summary

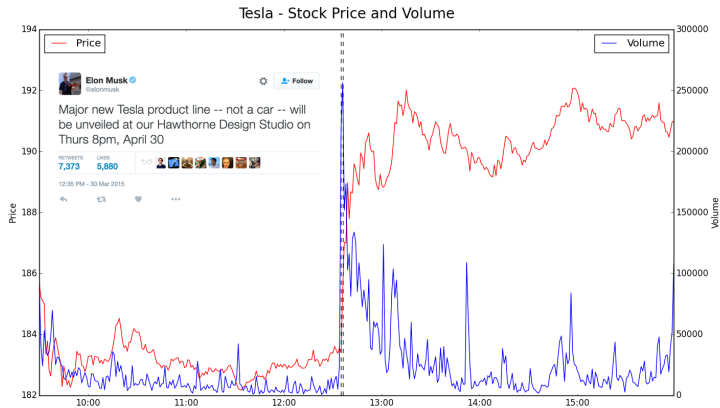


Figure 1: Market Reaction to Corporate Tweeting

1. Identify all official corporate Twitter account (hand-collected)
2. Use Twitter Application Programming Interface (API) to extract all tweets sent by each of the accounts
3. Identify a subset of financial tweets to remove "noisy" content by using a dictionary of financial keywords (≈ 50 keywords)
4. Total of 13,168 financial tweets, from 529 unique tweeting firms (NYSE, AMEX and NASDAQ)

Market Reaction to Financial Tweeting

Panel regression, with a dummy variable "Financial Tweeting Day" taking the value of 1 if a firm tweets financial information on a given day. One-year period centered on the SEC regulation of April 2, 2013

Results: No change in returns in the period prior to Reg-SocMedia. Significant increase (19.5 basis points) in return after Sec Regulation. Robust when removing earnings season.

Market Reaction to Financial Tweeting

Panel A: Full sample

	Before SEC regulation	After SEC regulation	Effect of SEC regulation (Full sample)
Financial tweeting day	-2.956 (9.42)	19.47** (8.43)	Included
Financial tweeting day * after SEC	----	----	23.08* (12.77)
Controls	Included	Included	Included
Fixed effects	Included	Included	Included
R ²	0.093	0.120	0.103
N	152075	170692	322769

Figure 2: Market Reaction to Financial Tweeting - Table 6

Market Reaction to Tweeting

Panel A: Full sample

	Before SEC regulation	After SEC regulation	Effect of SEC regulation (Full sample)
Tweeting day	4.955*** (1.81)	5.476*** (1.82)	Included
Tweeting day * after SEC	-----	-----	4.707 (3.40)
Controls	Included	Included	Included
Fixed effects	Included	Included	Included
R ²	0.093	0.120	0.103
N	152075	170692	322769

Figure 3: Market Reaction to Tweeting - Internet Appendix Table IA.2

Intraday evidence

Market reaction to tweeting in a short time interval of 15 minutes following the tweet

Significant increase in trading volume following the tweet only after Reg-SocMedia

Interpretation: "Supports the main hypothesis of this paper, that tweeting is informative but only after SEC Regulation"

Question: Would it be possible to complement the intraday analysis by focusing also on stock return ?

Suggestions

- Give more details about the robustness of the filtering methods used to identify financial tweets and to remove noisy content
- Give more details on the event-study. Sample ? Method used to assess significance (parametric or non-parametric) ? Contagion when multiple tweets on the event window or estimation window ?
- Conduct an intraday analysis on return to confirm previous results identified on trading volume
- Extend the sample period. Only 6 months after Reg-SocMedia.
- Check the robustness of the sentiment analysis when other approaches are used (machine learning, other lexicons...)