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PREDICTIVE POWER IN TWEETS AND STOCK OPTIONS

Los Angeles, CA, July 23, 2016 — The once bereft romantic and lyricist, Philipe Saroyan, of Liaison Universelle, has tapped into some extra wit finding affirmation in social media with new research in finance. The research shows that social media can add a substantial amount of predictive power on intraday moves of the Euro when combined with an options sentiment indicator that innovates the traditional put-call ratio in leaps and bounds.

Part of a growing field of so-called fintech, social media is fertile ground for researchers in marketing, finance, politics and news. Usage of big data for research has mainly been for prediction markets with online polling of such events as Brexit and the 2016 presidential elections, but recently has become more open architecture, spurring growth in cloud apps and subscription data services. For the investing public, social media is able to enhance the overall experience with performance sharing, info sharing and instant messaging, among other things. Data from social media is also weighted by some institutional investors, which says a lot for a group of professionals where credentials rule the day and simple investment opinions are taken with a grain of salt. The fact that social media can be a credible data metric is telling, and speculators have everything to gain from it.

When introducing the research paper in an initial coverage video, Philipe had this to say, "My trading research—which includes Social Market Analytics' (SMA) data—is exciting because it uses textual sentiment analysis, the same type of [analysis] that Google would use to kind of 'mind-read' how people are searching. There's a positive, and/or, negative charge to your words and texts, which is interesting. It gets awfully sophisticated and complicated, which is why I'm implementing [SMA], instead of guessing and estimating it myself. What they do is create a so-called *S-score*, which corresponds to a Z-score. If you understand statistics, a Z-score is going to fall upon a bell-curve at a statistical, significant level."
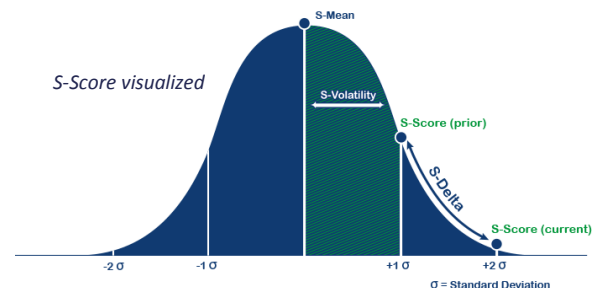
Knowing when to use a sentiment indicator as a trading strategy is also important. Philipe stresses the point, "The factor [model] is the huge thing… what explains, or correlates with the price and returns, are your factors. If they are explaining your prices and returns, you're going to have more predictive power… and these factors can outweigh sentiment. That's key to understand."

PowerPoint presentation to accompany research for 6.2016

YouTube channel provides supplemental coverage.

Liaison's research adds to a repertoire of intellectual property, including its proprietary options sentiment indicator. The research paper is currently available on Social Market Analytics' website, a financial data company providing sentiment estimates on more than 8,000 securities.

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