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## Manipulated markets

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# Chapter 5

## General conclusion

In this dissertation I present extensive evidence of various news media effects on the performance of stock markets. I document that the news media tend to influence financial markets in the short as well as in the long run by manipulating investor sentiment. My textual analysis of the content of news goes beyond a standard analysis of positive and negative words, and extends to cover the impact of seemingly “content-free” modifier words and modal strong and weak words on the news perception and stock returns. The main conclusion of my work is that not only the factual content of news, but also salient stimuli play an important role in how the content of news is perceived by investors. News readers tend to evaluate the content of news based on the impression rather than hard evidence presented in the news media and may be easily misled by manipulated journalistic tone.

Throughout my dissertation I argue that the main underlying mechanism for the observed relationship between the news media and stock market returns is investor sentiment, which is influenced not only by hard economic facts discussed in the media, but also salient stimuli of the news narratives such as tone and journalistic style of writing. The changes in sentiment of a retail or professional investor impact her expectations about future market developments and encourage to revise her investment decisions. Stock markets respond to changing investor sentiment both on the short as well as on the long term.

Some indication for the future research may be a replication of my findings on a



sample of professional investors; an experimental study on the attention effect in the news media; a more in-depth study on the link between news media and investor sentiment; a study on how investor sentiment impacts financial decisions and actions. Additionally, one may be interested in further analysing the textual content of news and designing indicators that capture other emotions in the news media, for example, fear of terrorism.