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What Can Twitter Tell Us about the Stock Price? Evidence from the UK

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ABSTRACT

The announcement of a certain event taking place is important and effective for the stock market and shares returns even more than the effectiveness and significance of the event itself. The aim of this thesis is to test the effect of financial events announcements via social media, specifically Twitter on share prices and returns for a sample of the top 100 companies listed in London stock exchange (FTSE 100). Our research questions had been tested on a sample of 833 event date observations retrieved from official Twitter accounts for two years (1st of January 2014 - 16th of February 2016). The test is concerned about tracking the stock return behavior around events announcements, through calculating abnormal return (AR), average abnormal return (AAR), cumulative average abnormal return (CAAR) and t-test on the event day (day 0), the pre-event window and post-event window using the event-study methodology. This study had found out that there is a significant relationship between the events announced via Twitter, the type of tweets, news categories and tweeting intensity of the company and share prices, while classifying based on the industry of the announcing company has an insignificant relationship with share returns.

KEYWORDS Abnormal returns; Events announcements; Share prices