

News Release

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Economists analyze thousands of microblog messages: Twitter analysis provides stock predictions

Economists at the Technical University of Munich (Technische Universität München, TUM) have developed a website that predicts individual stock trends. To this end, economists are using automatic text analysis methods to evaluate thousands of daily Twitter microblog messages, so-called "tweets". On www.TweetTrader.net, current forecasts are available for all S&P 500 listed stocks.

The share price of a stock reflects investor and analyst opinions about its prospects and indicates whether positive or negative developments are on the horizon. The microblogging platform Twitter has become an important medium for the exchange of such viewpoints. Thousands of stock-related messages are broadcasted every day via Twitter. Twittering investors mark tweets according to company stock symbols, for example, "\$AAPL" for the U.S. computer company Apple.

In a study, TUM economists showed that the sentiment from Twitter messages develops similar to the stock market and even leads by a day. The Munich-based economists analyzed 250,000 Twitter messages written in a six-month period and related to S&P 500 listed companies. The result: If an investor had oriented his share purchases according to the Twitter sentiment in the first half of 2010, he would have achieved an average rate of return of up to 15 percent.

The TUM economist Timm Sprenger explains, "If a Twitter user often gives good stock recommendations, he will, as a rule, have more followers and will be 'retweeted' (i.e., quoted) more often by other users. Hereby, tweets with good recommendations are affirmed and receive greater weight in the overall analysis."

The study was the basis for the development of the website TweetTrader.net where the real-time sentiment for individual stocks can be accessed.

Stock Microblogging Forum TweetTrader:

www.TweetTrader.net

The TweetTrader-Studie is available at the Social Science Research Network (SSRN):

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1702854

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Technische Universität München (TUM) is one of Germany's leading universities. It has roughly 460 professors, 7,500 academic and non-academic staff members (including those at the university hospital "Rechts der Isar"), and 26,000 students. It focuses on the engineering sciences, natural sciences, life sciences, medicine, and economic sciences. After winning numerous awards, it was selected as an "Elite University" in 2006 by the Science Council (Wissenschaftsrat) and the German Research Foundation (DFG). The university's global network includes an outpost in Singapore. TUM is dedicated to the ideal of a top-level, research-based entrepreneurial university. <http://www.tum.de>

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