

Markit Research Signals: Social media indicators

A suite of social media factors to support research, strategy development and investment decisions

Markit provides systematic social media indicators designed to help customers gauge the market sentiment of stocks.

Social media provides a new source of data to support alpha generation. The volume of social media information, with more than 500 million tweets posted on Twitter per day, makes tapping into its potential value and deriving insight a challenge.

We developed our social indicators using data from Social Market Analytics (SMA). The SMA process extracts relevant tweets, validates the source and evaluates the meaning to measure positive or negative sentiment. The SMA data also assesses the quality of the source to show meaningful volume and identify when behaviour deviates from the norm.

In addition to SMA's 15 core factors, we deliver seven social media indicators developed by Markit to provide additional insight. For example, our proprietary volume adjusted sentiment score accounts for a positive skew in sentiment to names with the most tweets to provide a more stable time series.

Actionable insight

Includes indicators across tweet sentiment, volume, relative value, changing sentiment and dispersion, with historical coverage dating back to December 2011.

Predictive

In a Markit study using SMA data, a strategy based on buying positive sentiment names and selling negative sentiment names produced an annualised return of 42% since December 2011.

Uncorrelated

Social media indicators are uncorrelated with standard sentiment metrics from equity, options and short interest markets.

Idea generation

Offers a new source of data to support idea generation and differentiate investment research and strategies.

22

social media indicators

3,200

US- traded stocks in the stock universe

1200+

stocks with daily signals

15

minute intraday data

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The 22 social media indicators cover the following categories:

Tweet sentiment

Quantifies alpha-generating sentiment from tweets, filtered for financial trading relevance and scored for market sentiment content

Tweet volume

Identifies increased interest in a stock

Relative value

Computes scores relative to the market and/or the stock's recent history to provide a clearer view of sentiment levels

Changing sentiment

Measures 1-day to 20-day look back signals to identify trends in the sentiment signals

Dispersion

Assesses the number of unique tweet sources to gauge the validity of a signal

Cumulative returns of S-Score versus SPY



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