THE TRADER

Twitter prophecies
Watch online activity to predict returns

Do you, like me, find that people in the street walk straight at you? And, when you say, 'Oi! Look out', they don't hear you. They're not rude, just oblivious to their surroundings and lacking any sense of personal space let alone direction – and they've got earphones rammed down their lugholes. The cause: devices of the devil, as the Bishop of Southwark calls them.

More correctly, these are 'mobile devices', particularly 4G phones. This powerful fourth-generation communications system has overtaken the laptop as Britain's favourite method of accessing the internet, according to last week's report by Ofcom and, surprisingly, half of those aged 55-64 own one. Half of us check our smartphones within 15 minutes of waking up and spend two hours per day on them, mainly calling, messaging and accessing Facebook, YouTube, Twitter and a panoply of other methods to share images, sound and information.

> 'Twitter posts and Google searches are both positively correlated to investor sentiment'

This is where things get really interesting because everyone who owns one of these can become a freelance news reporter – unofficially anyway. See a crime, snap the villain and report him; overhear some juicy gossip, share it; read some cutting edge research paper, pass it on. This generates gazillions of data that can be analysed as pollsters collate views; large corporations have for many years used analysts to dissect these and advise on their media profiles to win over the public.

Ex-hedge fund strategist and now Digital Contact founder and chief executive Gareth Mann explains: "Our big data analytics engine powers our company – Trading.co.uk. It was set up to ensure that traders receive faster financial news by gathering information from millions of sources every second. It delivers real-time news as it breaks about any industry, company or topic that users wish to focus their trades on." Far fetched you may think, but this Kent-based company has been commissioned to incorporate and tailor its analytics by several fund managers in both the UK and North America.

Ahead of the UK May general election, it analysed reactions on social media to the leaders' debates. Unlike pollsters' results, Trading.co.uk showed a clear lead for the Conservative party, with the SNP boasting a surge in social interaction. At the moment, Digital Contact is monitoring real-time data of all 43 potential candidates for the US Presidential candidacy – a race expected to be one of the most exciting in years.

People are taking this stuff seriously. In July, the European Central Bank published a research paper on the effects of Twitter posts and Google searches on stock trends. Monitoring only the terms 'bullish' and 'bearish', they found that Twitter information precedes Google searches, that "both are positively correlated to investor sentiment and lead investor surveys, and that high Twitter bullishness predicts increases in stock returns. We believe that our results support the investor sentiment hypothesis in behavioural finance." You can download the whole document from *https://www.ecb. europa.eu/pub/pdf/scpsps/ecbsp9.en.pdf.*

For Investors Chronicle readers who would like to take a look and try the platform out, the public beta testing stage will begin at the end of this month. It's completely free and all you have to do is to visit *www.trading.co.uk* and leave your name and email address.

Let us know how you get on or send your suggestions to hello@trading.co.uk. You may find it gives you more street cred with the children and grandchildren, too.

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StockTwits market heatmap
StockTwits maps the sentiment of 300,000 US investors active on Twitter