The Impact of News Readability on Market Response Times

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R in Finance
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... the [Fed’s policymaking] committee sees the economic recovery as proceeding at a moderate pace.

Our expectation is that inflation will come down and towards a more normal level.

A lot of people are having a very tough time, so I can certainly understand why people are impatient.

ALL EARS ON BEN: In the first ever news conference by a Fed chairman, Ben Bernanke moved U.S. stock prices.

Fed Takes Foot Off the Gas

BY JON HILSENRATH AND LUCA DI LEO

The Federal Reserve used its first-ever news conference to size that has yet to reach many Americans.

“It is very hard to blame the American public for being impatient.” Fed Chairman Ben Bern.

The combination of high unemployment, high gas prices and high foreclosure rates is a terrible combination and a lot of people are having a very tough time.”

rising gas and food prices, the Fed chairman took his message directly to the public.

He aimed in part to better explain the thinking within a cen-
Fed Takes Foot Off the Gas

By JESSE BRATEN
AND LEO DU LAC

The Federal Reserve used its first-ever news conference to signal that has yet to reach many Americans. "It is very hard to blame the American public for being impatient," Fed Chairman Ben Bernanke said at the weekend's news conference. "The combination of high unemployment, high gas prices and high foreclosure rates is a terrible combination and a lot of people are having a very tough time." Rising gas and food prices, the Fed chairman said, are not directly tied to the public. He did not explain why the thinking within a cen-
The Chairman Speaks, and the Markets Listen

Dow Jones Industrial Average, minute by minute, during Bernanke’s historic news conference

12660

12640

12620

12600
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The Federal Reserve used its first-ever news conference to say that it has yet to reach many Americans.

"It is very hard to blame the American public for being impatient," Fed Chairman Ben Bernanke said Wednesday. "The combination of high unemployment, high gas prices and high foreclosure rates is a terrible combination and a lot of people are having a very tough time."

The Wall Street Journal
The Chairman Speaks, and the Markets Listen
random sample of 1000 publicly traded firms
320,000 articles and press releases from 1994 through 2010
00 articles and press releases from 1994 through
[1] Earnings
[2] Equity Markets
[3] Ownership Changes
[4] Acquisitions/Mergers/Takeovers
[5] Political/General News
[6] Funding/Capital
[8] Analyst Comment/Recommendation
[9] Contracts/Orders
[10] New Products/Services
Well what's normal?

I'd like to know how long it takes for the market to react, so I need to have a measure of whether the market reacts.

2 hours of trades after the publication of news

Lee-Ready algorithm to identify trades as buyer-initiated or seller-initiated.

To identify abnormal trading.

Dow Jones

DJIA 1590

From 1994 through 2010
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Median Response Times by News Subject

- Equity Markets
- Earnings Projections
- Analyst Comment/Recommendation
- Commodity/Financial Market News
- Commodity Markets
- Earnings
- Acquisitions/Mergers/Takeovers
- Ownership Changes
- Funding/Capital
- Share Capital
- New Products/Services
- Management Issues
- Management Moves
- Contracts/Orders

Time (min)
Median Response Times by NAICS2

Retail Trade
Manufacturing
Information
Health Care and Social Assistance
Finance and Insurance
Professional, Scientific and Technical Services
Mining
Arts, Entertainment and Recreation
Management of Companies and Enterprises
Accommodation and Food Services
Wholesale Trade
Utilities
Transportation and Warehousing
Real Estate and Leasing
Educational Services
Construction

Time (min)
I expect there to be independent effects of features of the news texts themselves.

One feature worth attention is readability.
Estimated Survival by
Flesch Kincaid Grade Level

Junior High  1.0
High School  1.20
College       1.14
Masters      1.09
Doctorate    1.09

Time (in 15s intervals)
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