

S&P Dow Jones Indices

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TalkingPoints

Measuring Social Media's Market Impact with the S&P 500® Twitter Sentiment Index Series



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Social media is a relevant aspect of community life around the world. So what happens when we measure that engagement through a financial markets lens? S&P Dow Jones Indices (S&P DJI) has launched its first indices that are designed to measure social media sentiment through the [S&P 500 Twitter Sentiment Index Series](#). Therese Simberg, Director, Innovation and Strategy at S&P DJI, discusses the creation of the indices and what they mean in the evolution of innovative indexing, as well as the more practical uses for investors on tracking social media sentiment.

Index Offering

S&P 500 Twitter Sentiment Index

This index is designed to track the performance of the 200 constituents with the most positive sentiment from the S&P 500.

S&P 500 Twitter Sentiment Select Equal Weight Index

This index is designed to track the performance of a selection of the 50 constituents with the most positive sentiment from the S&P 500.

1. What drove the creation of this new index series?

Over the last few years, social media has evolved in that more and more people are Tweeting about stocks and financial markets. This includes the financial community, such as traders, analysts, and investors, as well as the general public who want to express their opinions.

As the technology has improved, these views and Tweeted opinions from this online community are now able to be analyzed; as a result, it is possible to interpret and try to understand what the market is saying about a specific company by aggregating an analysis of underlying Tweets containing \$cashtags, which indicate that the Tweet is concerning a particular stock. Through artificial intelligence, a particular stock's Tweets can be analyzed to see whether the overall sentiment is, on balance, positive or negative based on the collective opinion as expressed through these Tweets. This analysis lends itself well to indexing, as we now have a way of classifying stocks and creating an index that reflects the opinions of the Twitter community.

To summarize, the S&P 500 Twitter Sentiment Indices have been created to reflect the companies in the S&P 500 that have the most positive sentiment as indicated by the Twitter community. The indices include companies with positive sentiment relative to their peers.

2. Why are you choosing to launch these indices now?

Social media is transforming the way information is conveyed to investors, and it contains significant and differentiated information about individual stocks, as well as broad market information. Social media is unique in that it is a place for various market opinions to be combined into one public forum, including opinions from different types of participants like professional analysts, the media, investors, and the general public.

Even though the impact of social media in the financial market is not a new phenomenon, more recently the world has seen high-profile situations that have clearly showcased that impact. The S&P 500 Twitter Sentiment Indices aim to help investors gauge the impact of social media, albeit over a longer time period and across a more diversified set of equities than typical day trading.

3. Could you explain why tracking Twitter sentiment is relevant for investors?

The S&P 500 Twitter Sentiment Indices provide insight into how the companies that have been most positively discussed over the last month have performed during such month. The indices may outperform their benchmarks over time if the names with positive sentiment perform well. Abrupt changes in the Tweeted perceptions of a significant number of the index constituents could affect performance negatively.

The indices have created a way to see if the market's popular sentiment, as measured by Tweets containing \$cashtags, is in line with expectations by examining these indices against their broader counterparts like the S&P 500.

4. What is the role Twitter itself is playing with respect to these indices?

S&P DJI teamed up with Twitter for these indices due to its important role in the social media market.

Twitter's financial market coverage has been growing significantly in recent years, while its community stretches across a broad range of experts, influencers, and enthusiasts. In fact, the finance conversation on Twitter is also growing, up more than 26% between January-October 2020 from the same period in 2019.¹

¹Source: Twitter Internal Data. Data from Jan. 1, 2019, to Oct. 31, 2019, and from Jan. 1, 2020, to Oct. 31, 2020. Data retrieved November 2020. U.S. only.

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