

How Social Media Is Changing the World of Investing



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Panel Detail:

Wednesday, May 4, 2011 9:30 AM - 10:45 AM

Speakers:

[Chris Albinson](#), Managing Director, Panorama Capital

[Scott Burns](#), Director of ETF, Closed-end Fund and Alternatives Research, Morningstar

[Tom Lydon](#), Publisher, ETF Trends

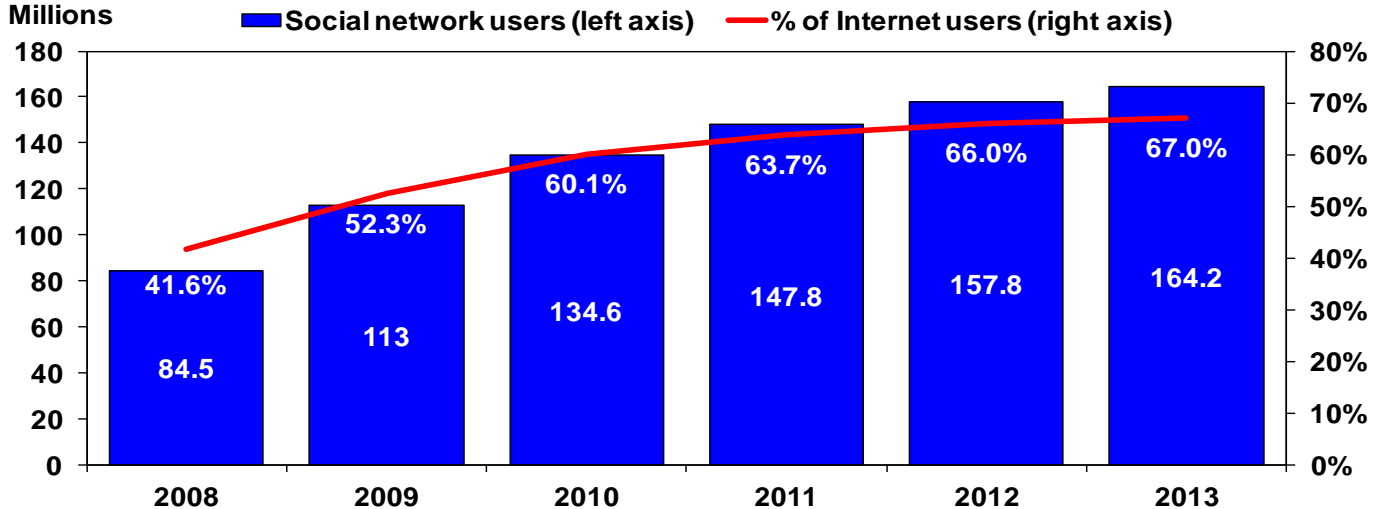
[Evan McDaniel](#), Chief Information Officer, MerlinOne Trading Partners

[Jon Najarian](#), Co-Founder, optionMONSTER.com

Moderator:

[Dennis Kneale](#), Senior Correspondent, Fox Business Network

More than 60% of Internet users are on social network sites



8 of the 20 most visited websites are social networks/ social media

Top 20 sites			
1	Google	11	Windows live
2	Facebook	12	LinkedIn
3	Yahoo!	13	MSN
4	YouTube	14	Bing
5	Amazon.com	15	GO
6	Wikipedia	16	CNN Interactive
7	Twitter	17	AOL
8	Blogger.com	18	ESPN
9	eBay	19	WordPress
10	Craigslist.org	20	PayPal

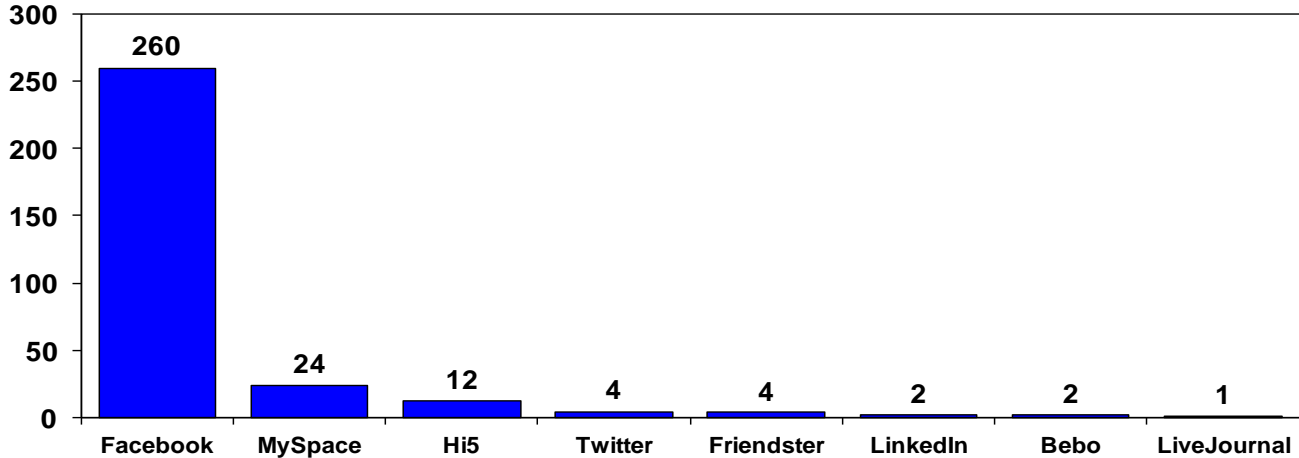
Top social networking sites

Average monthly page views, 2010



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Billions



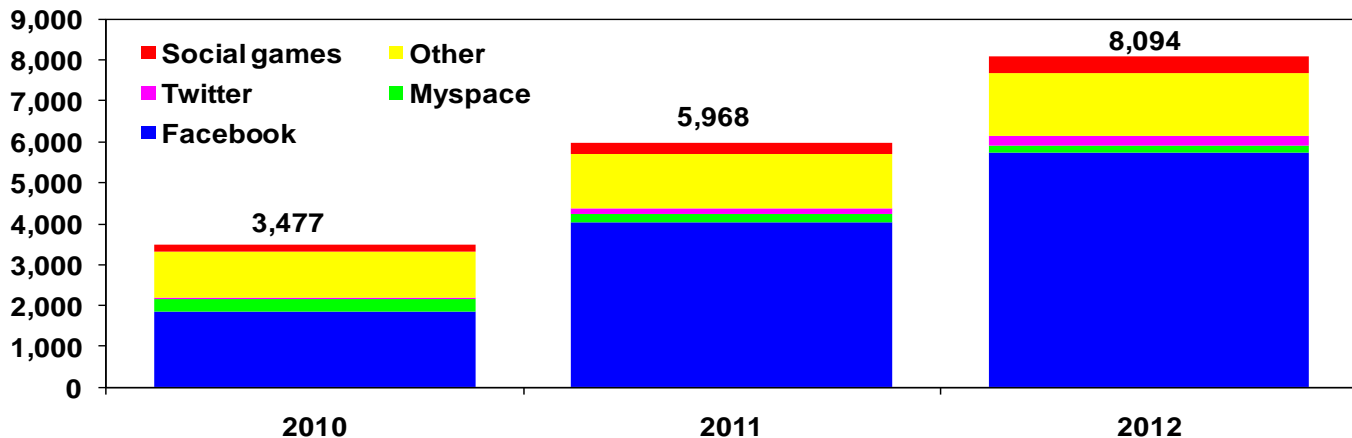
Source: Google Ad Planner.

Advertisers worldwide to spend almost \$6 billion on social networks in 2011

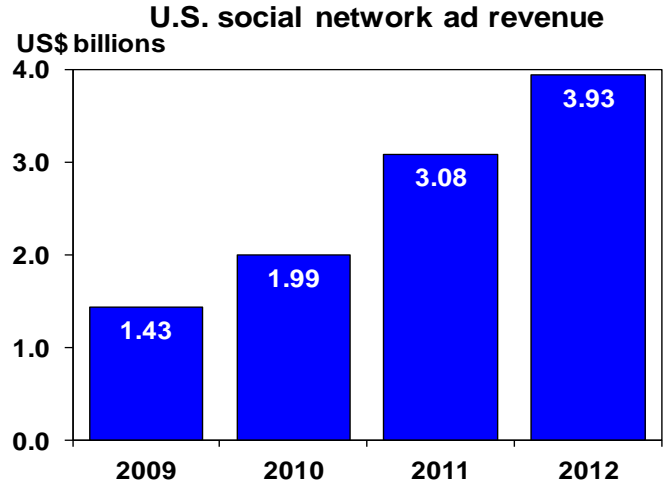
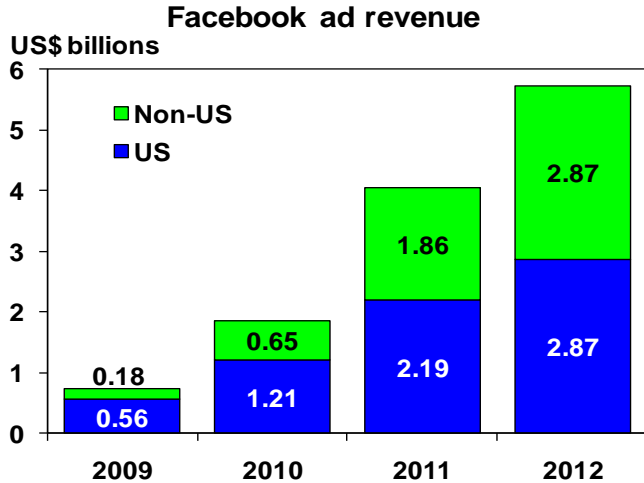


US\$ millions

worldwide social network ad revenues



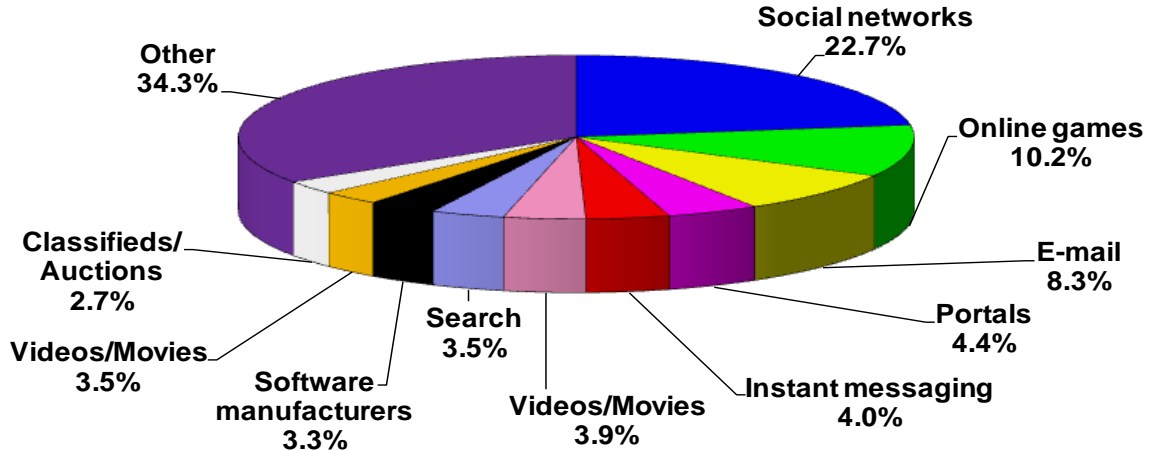
Social network ad spend continues to rise



Social networks accounts for one-fifth of time spent online

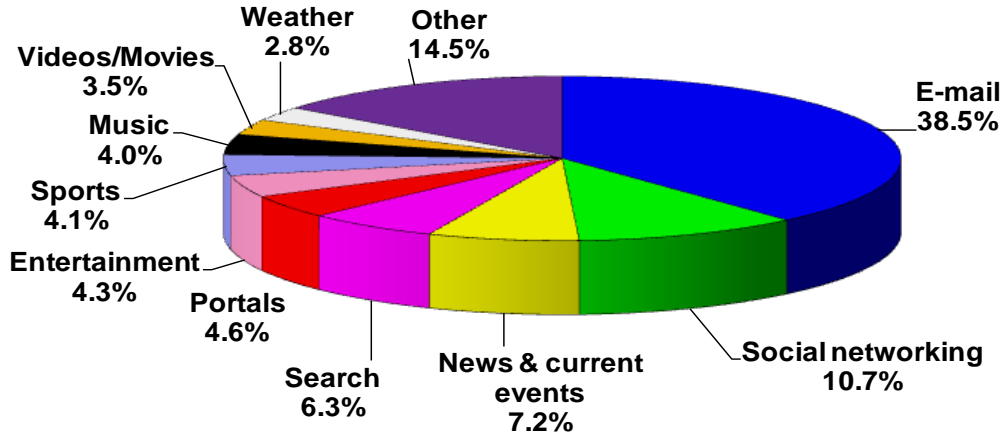


U.S. Internet time by category: June 2010

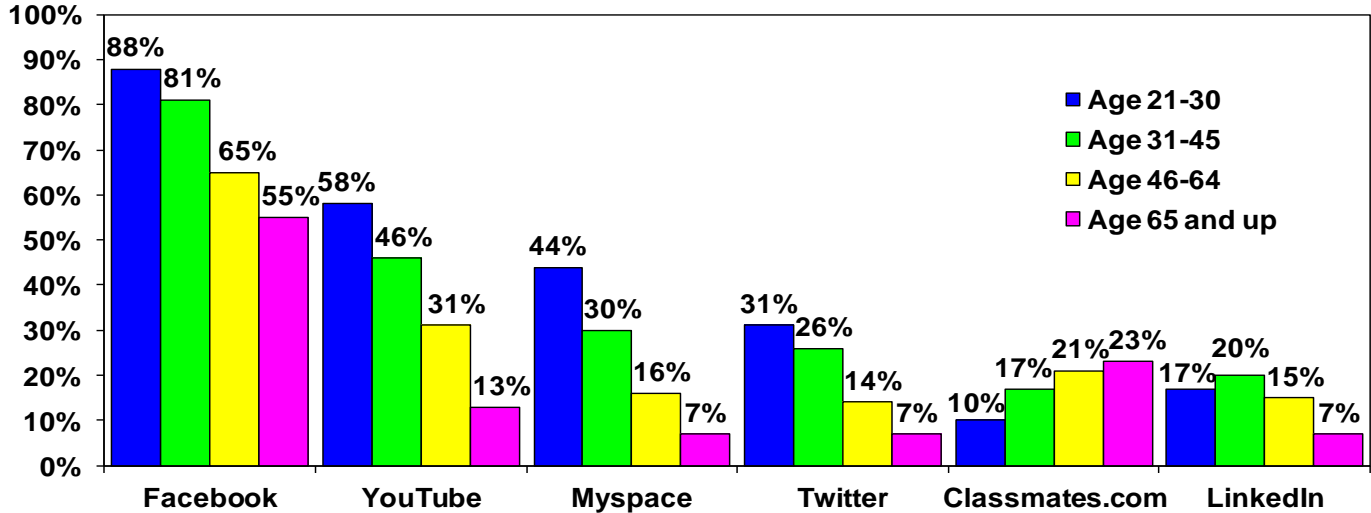


On mobile phones, social networks are a distant second to e-mail

U.S. mobile Internet time by category: May 2010



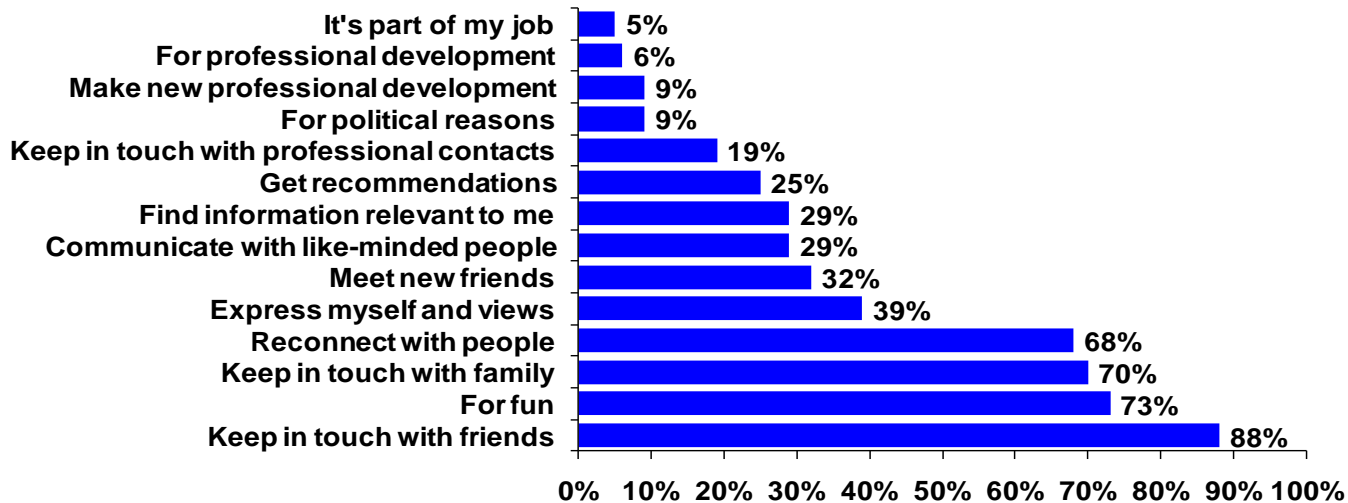
Social networks are a powerful way to connect with consumers of all generations



Why do you use social networking sites?



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Source: Simmons New Media Study.

Customers dissatisfied with social media despite websites' popularity



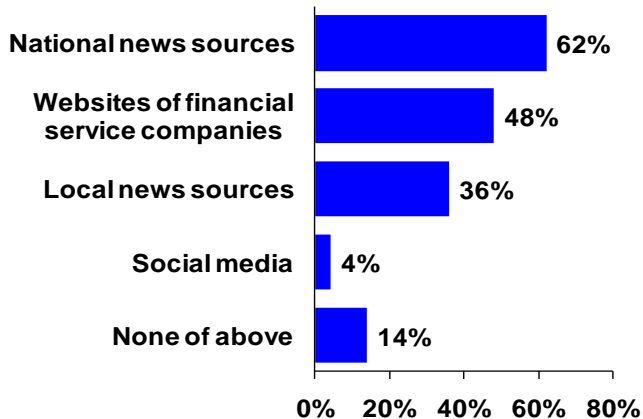
- The ACSI measures 30 online companies. Facebook and Myspace are the lowest-scoring sites out of 300.
- In total, the ACSI measures 223 companies. Among them, only 10 score a 65 or below, which puts Facebook and Myspace in the bottom 5% of all measured private-sector companies.

Social media site	2010 score
Aggregate	70
Wikipedia.org	77
YouTube.com	73
All others	72
Facebook.com	64
Myspace.com	63

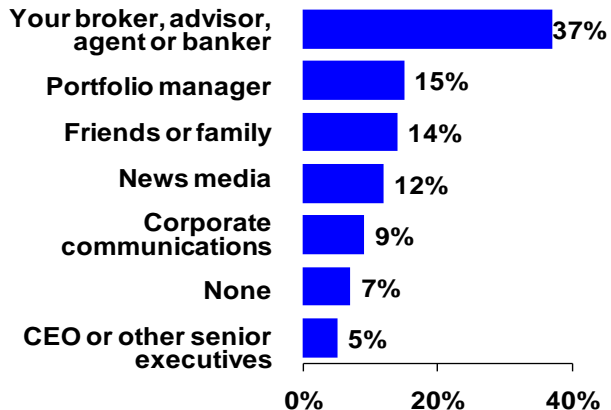
Only 4% of individual investors use social media for financial information



Sources of financial information



Credible sources of information

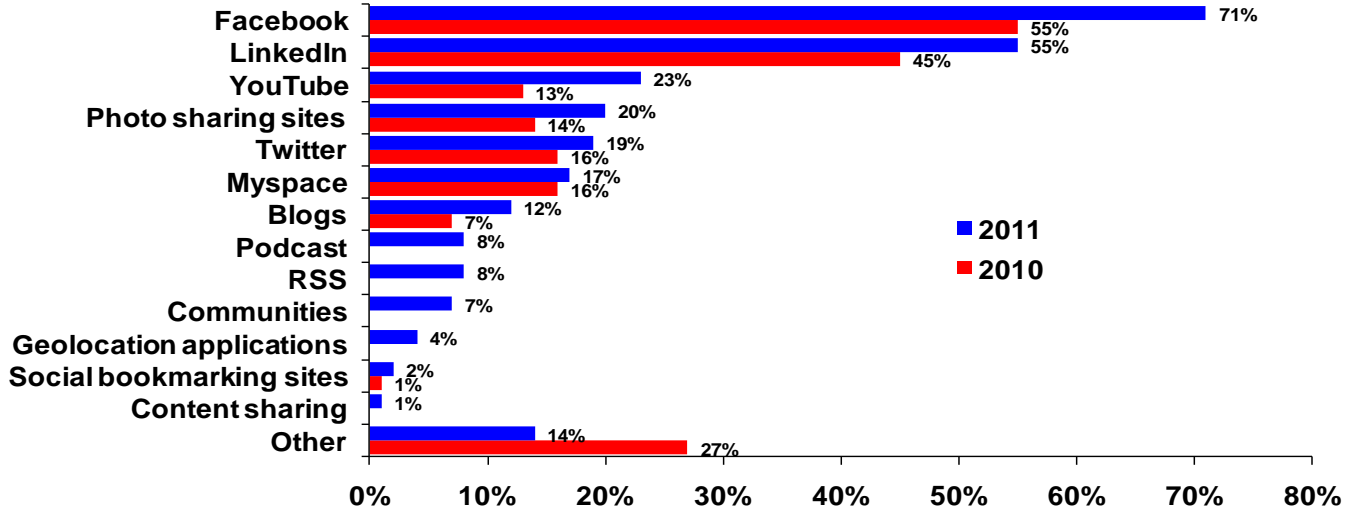


Source: Edelman.

Percentage of financial professionals with a social media profile is up significantly



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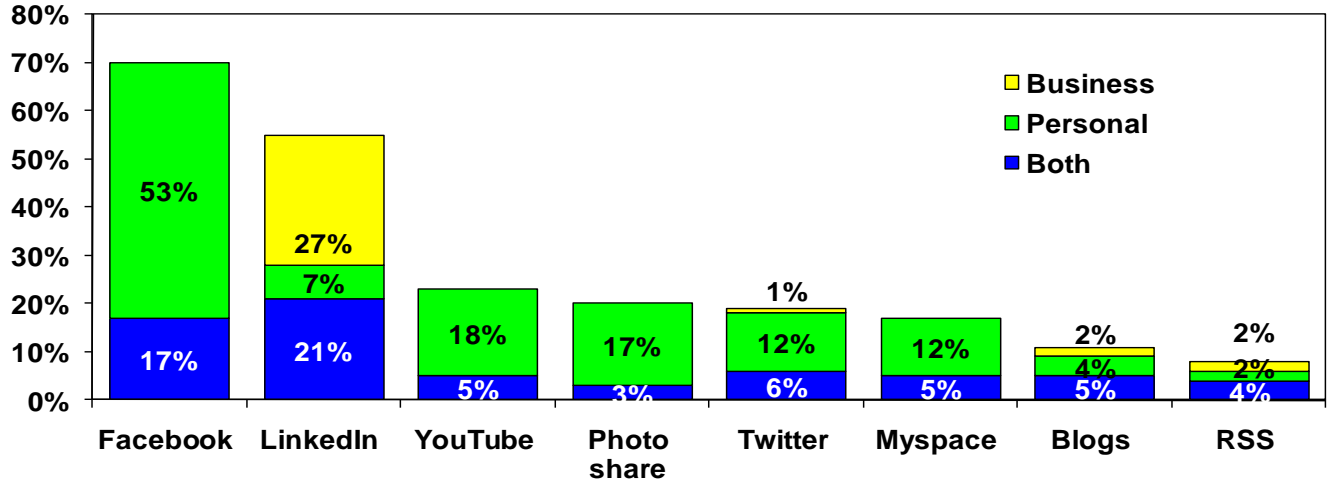


Source: American Century Investments.

Financial professionals stick to LinkedIn for business purposes



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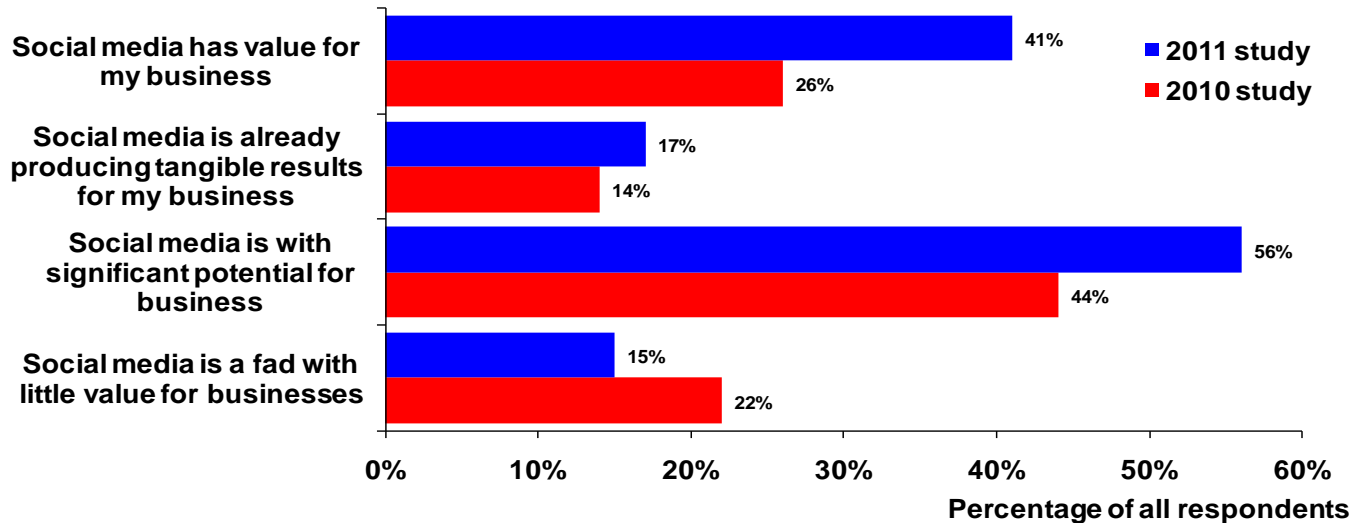


Source: American Century Investments.

More financial professionals see potential of social media than 2010 study



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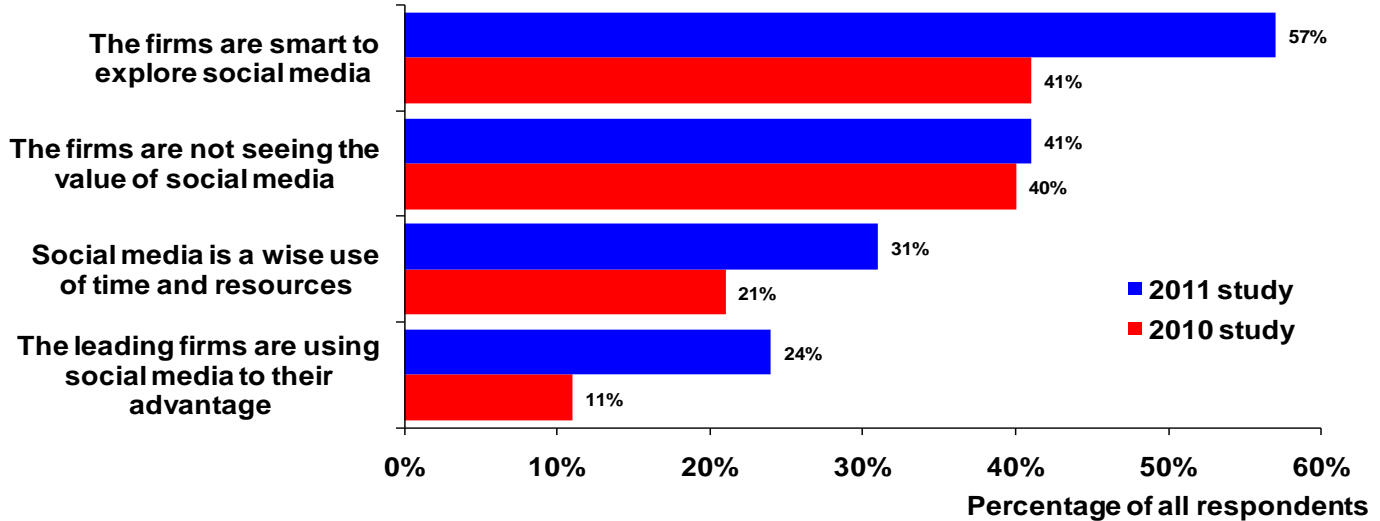


Sources: American Century Investments.

Asset manager participation in social media gains significant support, survey says

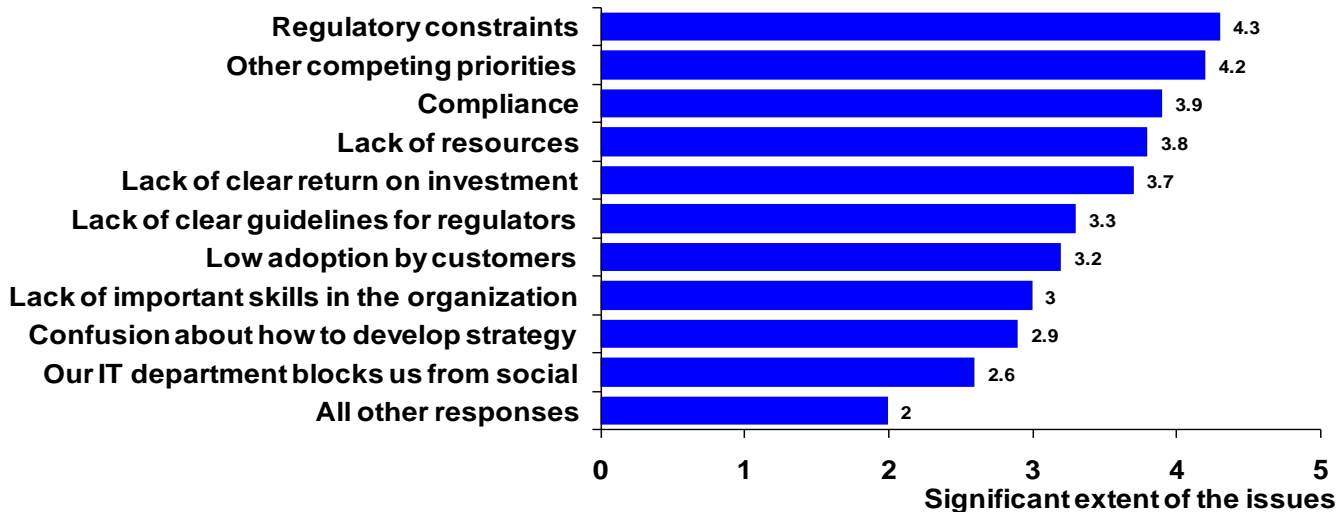


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Sources: American Century Investments.

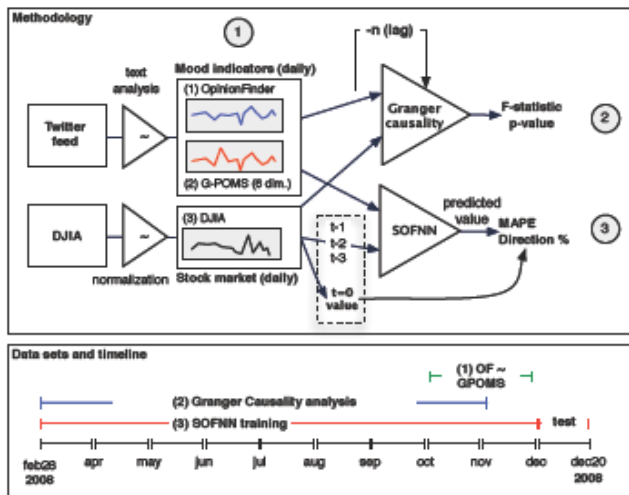
Regulation & compliance are main challenges financial firms face in their social media efforts



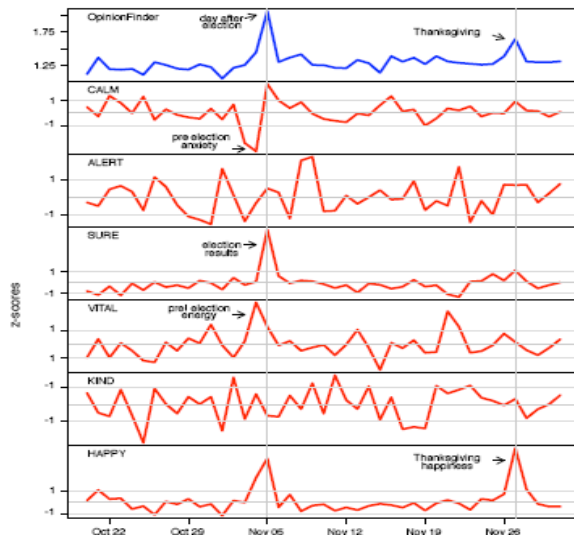
Sources: American Century Investments.

Twitter mood predicts the stock market

Methodology



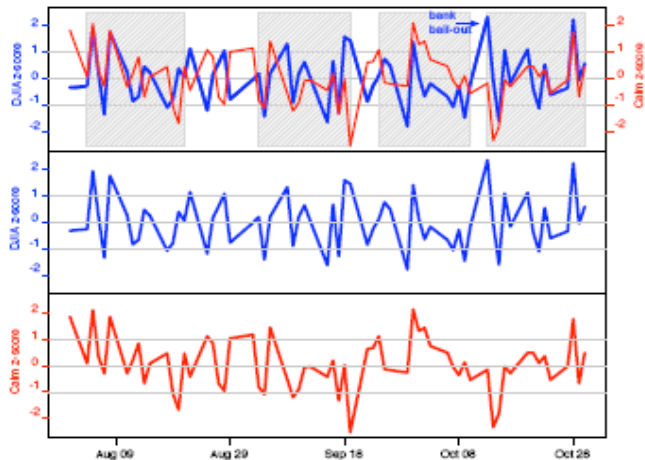
Public mood



Linear model : The 3 days lag “calm mood” has the highest predictive value to the “DJIA today”



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Lag	OF	Calm	Alert	Sure	Vital	Kind	Happy
1 day	0.085*	0.272	0.952	0.648	0.120	0.848	0.388
2 days	0.268	0.013**	0.973	0.811	0.369	0.991	0.7061
3 days	0.436	0.022**	0.981	0.349	0.418	0.991	0.723
4 days	0.218	0.030**	0.998	0.415	0.475	0.989	0.750
5 days	0.300	0.036**	0.989	0.544	0.553	0.996	0.173
6 days	0.446	0.065*	0.996	0.691	0.682	0.994	0.081*
7 days	0.620	0.157	0.999	0.381	0.713	0.999	0.150

(p-value < 0.05: **, p-value < 0.1: *)



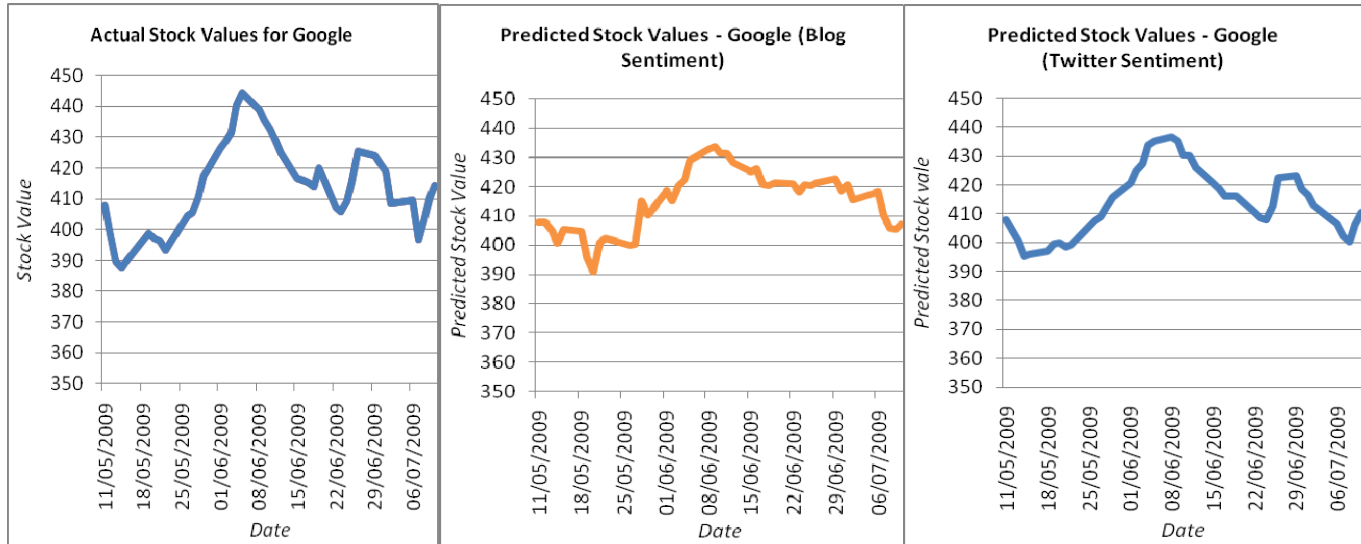
Non-linear model: The “calm mood” has the highest direction accuracy, and lowest forecasting error when combined with the “happy mood”

DJIA DAILY PREDICTION USING SOFNN

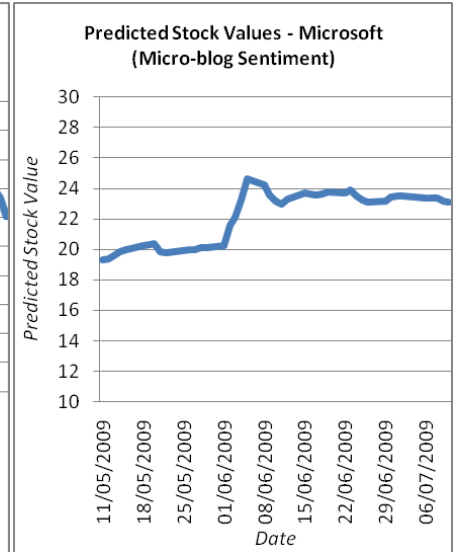
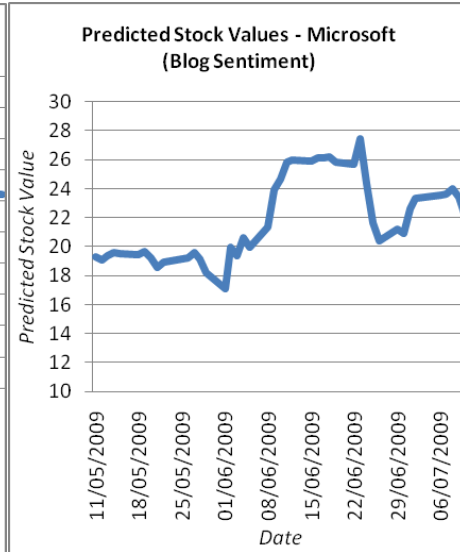
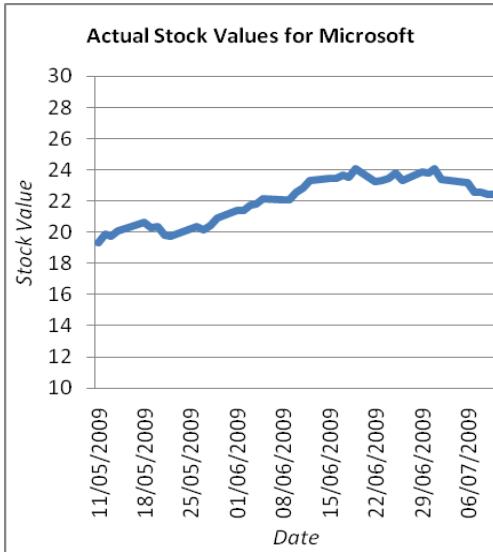
Evaluation	I_{OF}	I_0	I_1	$I_{1,2}$	$I_{1,3}$	$I_{1,4}$	$I_{1,5}$	$I_{1,6}$
MAPE (%)	1.95	1.94	1.83	2.03	2.13	2.05	1.85	1.79*
Direction (%)	73.3	73.3	86.7*	60.0	46.7	60.0	73.3	80.0

I_1 : Calm I_2 : Alert I_3 : Sure I_4 : Vital I_5 : Kind I_6 : Happy

Blog and Twitter sentiments predict individual stock price pattern: Google



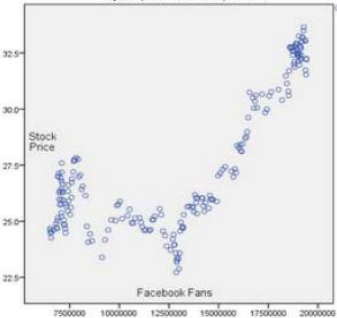
Blog and Twitter sentiments predict individual stock price pattern: Microsoft



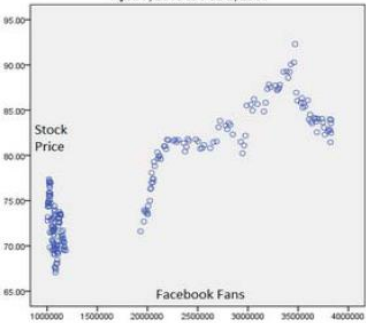
Number of Facebook fans as stock forecaster



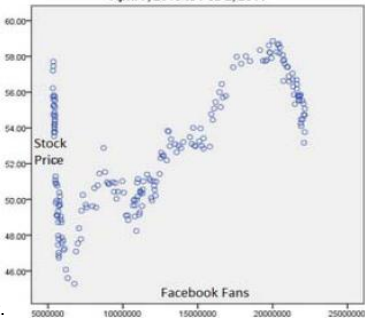
Scatter Plot of Starbucks Stock Price to Facebook Fans
April 7, 2010 to Feb 2, 2011



Scatterplot of Nike Stock Prices to Fan Counts
April 7, 2010 to Feb 2, 2011



Scatterplot of Coke Stock Prices to Fan Counts
April 7, 2010 to Feb 2, 2011



Sources: Pace University and Famecount.