HASLAM COLLEGE OF BUSINESS

SMITH GLOBAL LEADERSHIP SCHOLARS

# Do Firm Tweets Impact the Average Joe?


Author: Sebastian Soldner

*Thesis Advisor: Dr. Eric Kelley*


## Introduction

I. As the world becomes more intertwined, Social Media has increasingly becomes a primary news source for investors. Is this medium taken as seriously as other information sources, or is it even used at all?

II. The SEC expressly allowed Twitter and other SM's to disclose material information on April 2nd, 2013- How did this change the landscape?

## Research Question

I. Do firms as a whole release material information in their twitter disclosures more after April 2nd, 2013 than before?

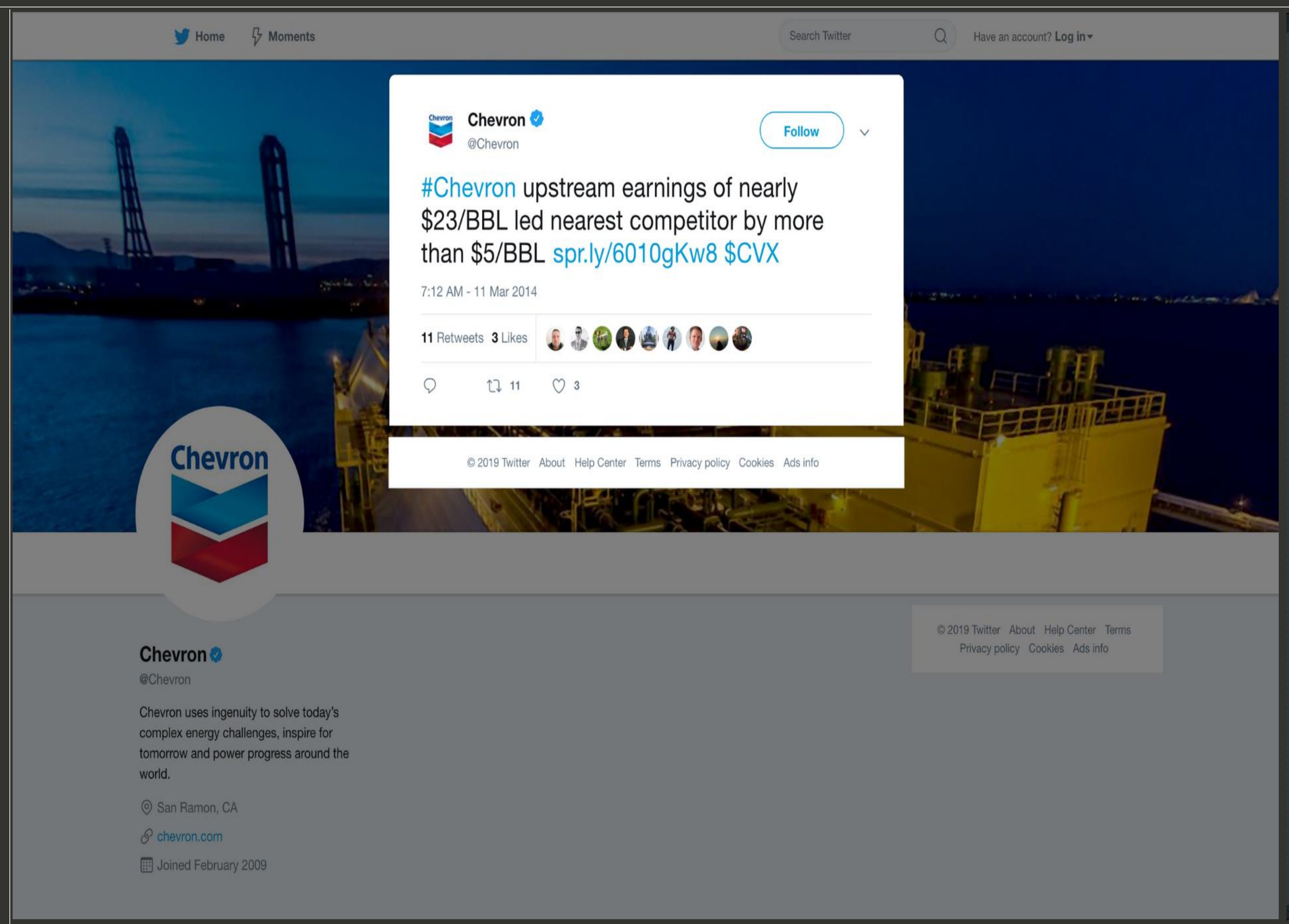
II. Does retail trader sensitivity to firm tweeting of earnings events increase from before to after?

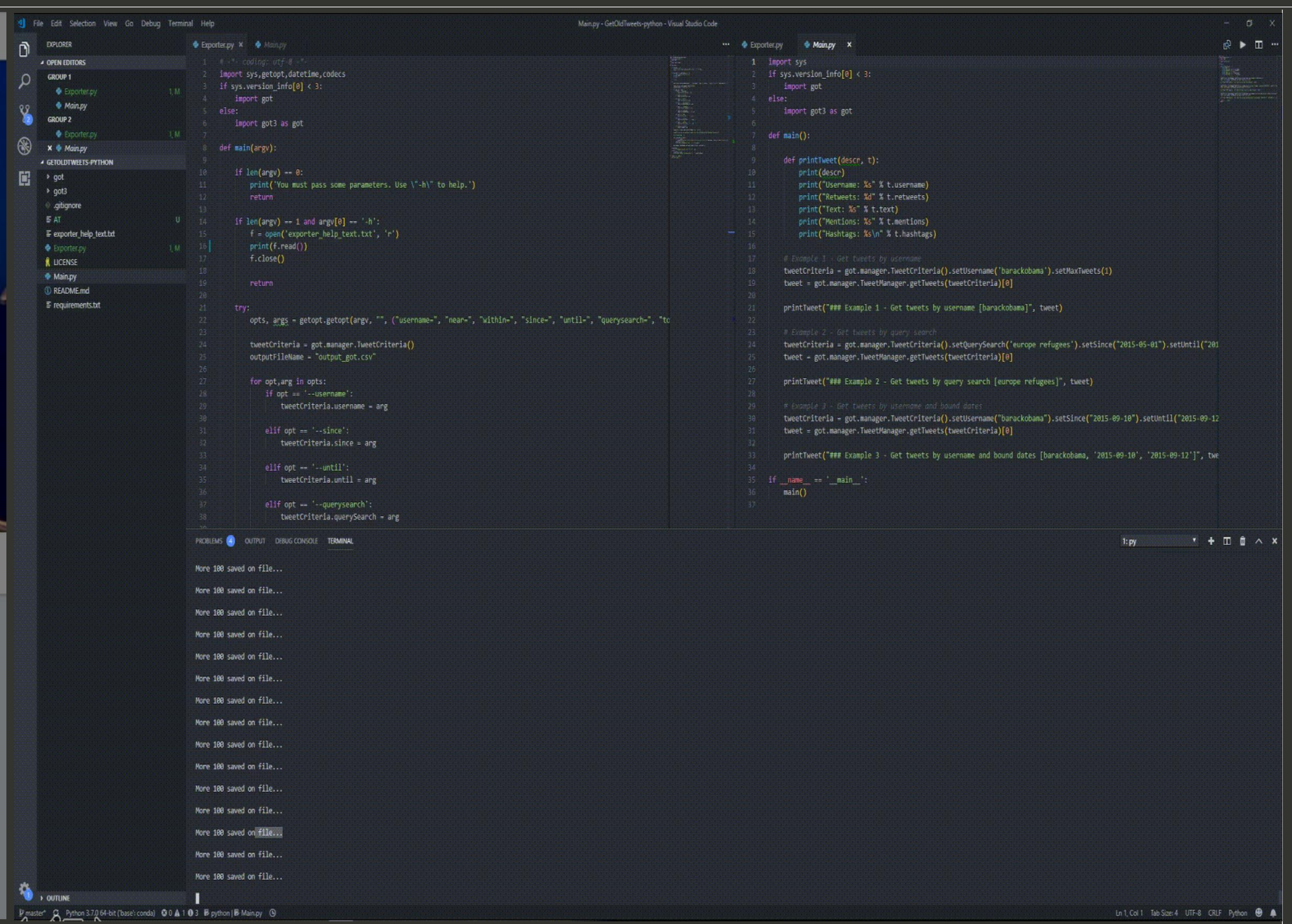
## Objectives

I. Collect TAQ data from NYSE, parsed for retail trading activity

II. Collect Tweets of top 250 firms on Russell 1000 index

III. Compare Pre & Post statistics on trading and tweeting activity



## Methodology

***Research Strategy***

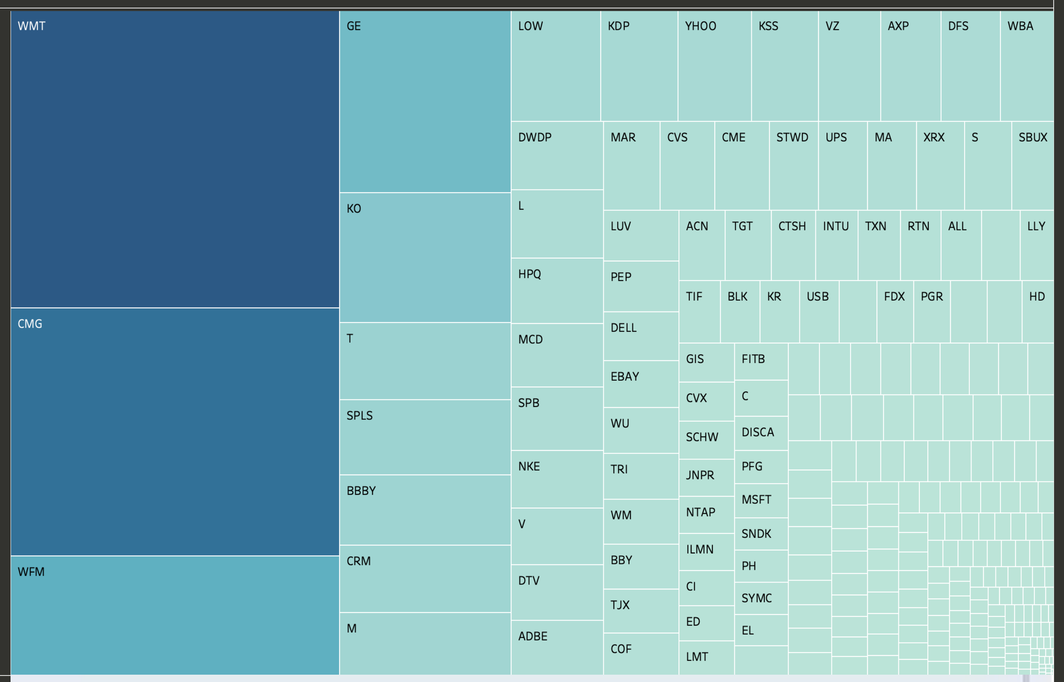
- TAQ Data of Russell 3000 index, parsed for retail investors
- Used Python to create a Twitter bot to gather tweets from firms
- Variable creation, merging of Twitter and Stock data

***Sample***

- 7,500,000 million points of stock data from 2012-2014
- 1,400,000 million tweets from top 250 Russell 1000 Index firms
- Synthesized to ~120,000 per firm, per day variables

**Analysis**

- Summary Statistics and Fixed Effect Regressions
- Main and ancillary analysis done through Stata, JMP & Tableau



## Literature & Motivation

- Our question initially comes from an SEC greenlight for social media as a platform for official firm disclosure, released April 2nd, 2013. Before this, SM firm disclosure was in the wild west. SEC announcement is in response to Netflix CEO Reed Hastings's comments on viewing hours.

- Previous Literature argues that firm twitter disclosures lead to more efficient markets (lower bid-ask spread, greater depth). Disclosure should be a great thing for firms– Twitter is one of the largest audiences in history (335 Million users in 2018) to disseminate information.

- As executives and CEOs can reach celebrity status on social media like never before, are there implications for firms or the government to create a ruleset for types of disclosures and what accounts they can come from (E.G. Elon Musk tweets about production quotas, short selling, etc.).


SEC Says Social Media OK for Company Announcements if Investors Are Alerted

**FOR IMMEDIATE RELEASE**
**2013-51**

*Washington, D.C., April 2, 2013* — The Securities and Exchange Commission today issued a report that makes clear that companies can use social media outlets like Facebook and Twitter to announce key information in compliance with Regulation Fair Disclosure (Regulation FD) so long as investors have been alerted about which social media will be used to disseminate such information.

The SEC's report of investigation confirms that Regulation FD applies to social media and other emerging means of communication used by public companies the same way it applies to company websites. The SEC issued guidance in 2008 clarifying that websites can serve as an effective means for disseminating information to investors if they've been made aware that's where to look for it. Today's report clarifies that company communications made through social media channels could constitute selective disclosures and, therefore, require careful Regulation FD analysis.

"One set of shareholders should not be able to get a jump on other shareholders just because the company is selectively disclosing important information," said George Canellos, Acting Director of the SEC's Division of Enforcement. "Most social media are perfectly suitable methods for communicating with investors, but not if the access is restricted or if investors don't know that's where they need to turn to get the latest news."

## Conclusions

I. Earnings disclosures via social media plays a meaningful role in retail investors information sets once firms were given the social media greenlight by the SEC.

II. Retail Trading on days with earnings-related tweets *increases* during the **post** period.

III. There is *greater* retail trading activity on days that firms also tweet.

## Future Implications

- As social media has become even more prevalent since 2014, retail investors likely more than ever get their information from SM. Perhaps there is need for governmental or firm oversight?

## Contact


Sebastian Soldner - ssoldner@vols.utk.edu
Dr. Eric Kelley - ekk@utk.edu


## Key References


I. Blankespoor, E., Miller, G., and White, H. 2013. *The Role of Dissemination in Market Liquidity: Evidence From Firms' Use of Twitter*

II. Boehmer, E., Jones, C., and Zhang, X. 2017. *Tracking Retail Investor Activity*

III. Bushee, B. and C. Noe. 2000. *Corporate disclosure practices, institutional investors, and stock return volatility. Journal of Accounting Research 38 (Supplement): 171-202*


**For additional literature, see full research thesis*


**Acknowledgements: Mother & Father, Dr. Laura Cole, Dr. Kelley, the GLS, BSP, and CHP Programs