

Newest Piece of Information Mosaic: Twitter



For financial-market participants, the mosaic theory holds that collating information from multiple sources provides a more complete picture needed to optimize trading and investing decisions.

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This longstanding approach is borne out by today’s electronic trading desks, where traders may sit in front of four or even eight screens, on swivel chairs that can readily turn to view overhead TVs. There’s not much reading of in-depth feature articles during the trading day — news clips are short, as are attention spans, and information comes fast and furious from many directions.

In recent years, crowd sourced information has elbowed its way onto precious trading-desk real estate, alongside more traditional news outlets such as Bloomberg terminal, CNBC, Yahoo! Finance, and WSJ. Specifically, data sourced via Twitter is increasingly seen as a must-have arrow in the quiver of market professionals.

“The value proposition for traders is real-time, breaking news from differentiated sources,” said George Goldman, vice president and head of finance sales at Dataminr,



George Goldman, Dataminr

which uses cutting-edge technology to turn real-time social media signals into actionable alerts. “Building an information mosaic is important. Even if you’re not focused on breaking events about particular equities, macro-level events can impact global volatility as well as your portfolio.”

Twitter has emerged as an alternative newspaper of record, one with a de facto global editorial staff of 328 million — that is, its monthly active users. Market participants say Twitter will never fully replace traditional media, but its openness, ubiquity and real-time delivery make it an indispensable alternative.

“When I see a stock moving, the first thing I do is check the major media newswires — 90% of the time, I find the reason there,” said Dennis Dick, CFA, a proprietary trader at Bright Trading LLC. “But 10% of the time, I don’t, and I have to go digging. Twitter is the first place I dig.”

Dick scans ‘Latest’ tweets for a given stock that’s moving — for example, he looked up General Mills (\$GIS) on May 4 amid rumors that a private equity concern was interested in acquiring the food maker. “There might be a rumor out there,” he said. “Sometimes I will see it on Twitter before I see it on the Bloomberg terminal.”

Bright Trading’s primary strategy is bottoms-up security selection, but Dick also tapped into Twitter for macro events such as the Brexit vote in June 2016 and the U.S. presidential election last November. Much of the election picture took shape on Twitter first, because media outlets such as CNN had to verify first.

“Back then everyone was scared of Trump getting elected, so every time he won a certain state, stocks would tank,” Dick said. “The S&P (500) was really volatile that night.”

Twitter is in a sense emerging from the shadow of Facebook, its larger rival in the battle for user eyeballs. Facebook is dominant in the personal sphere — life updates, family and friend photos, etc. —

but Twitter is carving out its own niche as an open-network information source, whose news stories update in real-time and from multiple perspectives.

“There’s plenty of news and information flow out there,” Dataminr’s Goldman said. “What’s important is getting all sides of a story and getting insights into things that may not have been picked up on by traditional media. To that end — Twitter is an excellent resource.”

Earlier this month, Twitter said it would team with global media giant Bloomberg to create a 24/7 streaming television service. That attention-grabbing initiative followed a positive earnings report that showed accelerating user growth and engagement in the first quarter.

“People go to Twitter first to see what’s going on and to see what’s happening and what people think about what’s going on and what’s happening,” Twitter CEO Jack Dorsey said on the April 26 earnings conference call. “We want to get to a place where we’re the first place they hear of something...(and) they can dig even deeper and see what’s really happening.”

Momentum can continue. “Twitter is getting better. The community is getting more sophisticated and the company is getting smarter,” Dick of Bright Trading said.

“I’ve said it for a long time: Twitter is more of a news network than a social media company,” Dick said. “For a trader, information is everything. The quicker you can get the information, the better off you are.”

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