

# **Sensationalism in Online News**

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# Summary

- Little is known about whether the evaluation criteria (page views, visitors, time spent) used to determine success of digital media leads to more sensationalized tone of digital media articles.
  - ▶ Evaluation criteria determine advertising rates
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  - ▶ Evaluation criteria determine advertising rates
- Further, does the market react to the tone of digital media articles?
- Specifically, the author compares the tone of online news to that of print news.
- Use articles from the online and print editions of *The Wall Street Journal*, *The New York Times*, *The Washington Post*, and *USA Today*.
- Use Loughran and McDonald's sentiment word lists to determine the tone of article's title and lead paragraph as well as that of rest of the article.
- Finally, determines whether abnormal returns can be earned by creating a long-short portfolio based on article tone measures.

## Summary ... 2

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- Further, supported by the fact that a larger fraction of both negative and positive words is found in the titles and lead paragraphs.
- Greater volatility in the tone of online news is related to higher share turnover (proxy for investors' attention).
- Tone of online news, especially, tone of the title and lead paragraph, has greater impact on market response than print news.
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- Tone of online news, especially, tone of the title and lead paragraph, has greater impact on market response than print news.
- Results robust even for articles published in both online and print with the same title and by the same journalist.
- Long-short portfolio based on abnormal online tone yields abnormal returns of 1 percent per month.
- Tone of online articles is higher than that of print articles for positive news.

## Positioning the paper

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- Sensationalizing online news using tone is another channel of grabbing investors' attention. . .
- . . . but is this channel different and will it impact trading behavior and prices in a different way?
- This will help flush out the hypotheses and hence position the paper much better relative to the existing literature.

## Difference in tone

- Your hypothesis is that journalists/newspapers have incentives to sensationalize online articles for economic reasons (more views  $\Rightarrow$  greater advertising revenues) and do not do so for print articles.
- There is no reason to expect print articles to be more sensationalized, is there?
- Your tests of difference in tone of online vs print news should be one-sided tests.

## Is 4.63% significant?

- On page 13, the author finds (from OLS regression in Table 3 Panel A) “that online editions publish articles that are on average 4.63% more favorable than those published in print editions.”
- What if this number is 10% or 20% for other types (non-business) of news?
- Would the above conclusion still be appropriate? Is there something special about news on companies that make the tone of online or print articles different from that of other types of news?

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- Would the above conclusion still be appropriate? Is there something special about news on companies that make the tone of online or print articles different from that of other types of news?
- Similar comment for models (2) and (3) (high and low tone groups) of the same panel.

## Multi-day news coverage

- Not corrected/controlled for stories that are covered in the newspaper over multiple days.
- Multi-day news articles potentially create autocorrelation of errors because the tone may keep increasing over time to keep reader interest alive.
- Alternatively, if they want to kill a story, journalists may use less sensational language.

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- Alternatively, if they want to kill a story, journalists may use less sensational language.
- This will also affect the CARs used in Table 5. The dependent variable may not be independent.

# Investor attention

- Is there any reason why investor attention is only a second-order affect, that is, it is related only to volatility of tone and not tone itself?
- This needs to be discussed in the paper.

## Other comments

1. Would like to see more financial analysis; for example:
  - ▶ Do average trade sizes increase or decrease after the article is published? ⇒ indicative of more or less retail trading.



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1. Would like to see more financial analysis; for example:
  - ▶ Do average trade sizes increase or decrease after the article is published? ⇒ indicative of more or less retail trading.
  - ▶ Does this sensationalizing improve or worsen price efficiency?
2. Would be useful to restrict sample to same-title same-journalist online and print articles for the entire paper rather than just a robustness check to focus on the difference in tones between online and print articles and the impact of this difference on financial market outcomes.

# Conclusion

- The paper identifies another channel through which investors' attention is drawn towards certain stocks.
- Lots of analyses on the tone of online vs print articles, which gives readers many useful insights.
- Paper should be positioned better relative to existing literature.