

As described in the previous research update, I have with my two collaborators applied to the Keynes Fund for funding to carry out a pilot study and to employ a research assistant to help us collect data to subsequently be analysed. In the meantime, we have heard back from the Keynes Fund and been given the opportunity to revise our application with a view to resubmit it in the near future. We received excellent and very specific suggestions on our proposed work and we are currently in the process of articulating how we will deal with these different questions going forward. Overall, the referees and the board is supportive of our proposed work and they find it to be in an exciting field. The two main issues raised by the referees are as follows:

First, we have been asked to think about how will we deal with the issue of “asymmetric information revelation”? In other words, it is possible that true rumours do not get spread through social media because agents who know the information will want to trade on it rather than spread it. This observation leads to the idea that only false rumours would spread through social media while true rumours would be reflected mainly in prices.

To deal with this issue, we are in the process of clarifying the incentives of agents to spread information as functions of the intended trading position of the agent in the relevant asset (i.e. whether to go long or short in the asset), whether the agent as already traded, the nature of the information (good news or bad news) and the type of agent (whether strategic, i.e. one whose incentives depend on the price movements of the asset, or non-strategic, i.e. one whose incentives depend on building a reputation for passing on accurate information, such as a financial news source). From our initial analysis, it is clear that incentives to spread or to suppress information are delicate functions of all these considerations. A further theoretical analysis will have to be performed to inform the formulation of hypotheses and testable implications.

Second, we have been asked about how we intend to deal with the econometric analysis of our proposed research. There are a number of specific technical challenges involved in our research. Specifically, there are technical aspects that are linguistic, computational, economic and econometric. The backgrounds of the three main collaborators on the project are well suited to dealing with the linguistic, computational and economic aspects of the project and while we do have some experience in handling data and analysing it econometrically and statistically, we also recognise that there may be specific issues outside our core areas of expertise, such as high frequency financial econometrics. For that reason, we intend to consult with colleagues of ours who are experts in this field whenever necessary, including direct collaboration when appropriate.

Last, the Keynes Fund has asked that we ensure that any funding be used as seeds for further applications, which is indeed what we intend to achieve. Over the summer, I have been working with my collaborators in formulating detailed responses to the issues raised in the reports with a view to resubmitting our proposal for funding. Going forward, if the

funding is granted, we aim to start the proposed work during the coming Michaelmas or Lent term.