

Accepted Manuscript

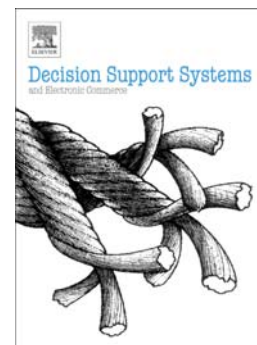
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PII: S0167-9236(16)30119-1
DOI: doi: [10.1016/j.dss.2016.06.020](https://doi.org/10.1016/j.dss.2016.06.020)
Reference: DECSUP 12744

To appear in: *Decision Support Systems*

Received date: 2 December 2015
Revised date: 29 June 2016
Accepted date: 29 June 2016



Please cite this article as: Stefan Feuerriegel, Helmut Prendinger, News-based trading strategies, *Decision Support Systems* (2016), doi: [10.1016/j.dss.2016.06.020](https://doi.org/10.1016/j.dss.2016.06.020)

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News-based trading strategies

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Abstract

The marvel of markets lies in the fact that dispersed information is instantaneously processed and used to adjust the price of goods, services and assets. Financial markets are particularly efficient when it comes to processing information; such information is typically embedded in textual news that is then interpreted by investors. Quite recently, researchers have started to automatically determine news sentiment in order to explain stock price movements. Interestingly, this so-called news sentiment works fairly well in explaining stock returns. In this paper, we design trading strategies that utilize textual news in order to obtain profits on the basis of novel information entering the market. We thus propose approaches for automated decision-making based on supervised and reinforcement learning. Altogether, we demonstrate how news-based data can be incorporated into an investment system.

Keywords:

Decision support, Financial news, Trading strategies, Text mining, Sentiment analysis, Trading simulation

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