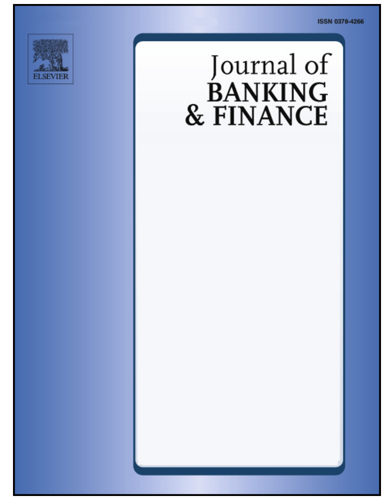
Accepted Manuscript



News Sentiment in the Gold Futures Market

Lee A. Smales

PII: S0378-4266(14)00306-9
DOI: http://dx.doi.org/10.1016/j.jbankfin.2014.09.006
Reference: JBF 4559

To appear in: *Journal of Banking & Finance*

Received Date: 30 October 2013
Accepted Date: 14 September 2014

Please cite this article as: Smales, L.A., News Sentiment in the Gold Futures Market, *Journal of Banking & Finance* (2014), doi: http://dx.doi.org/10.1016/j.jbankfin.2014.09.006

News Sentiment in the Gold Futures Market

Lee A. Smales, CFA

School of Economics & Finance
Curtin University
Building 402
Kent Street
Perth
WA 6845
Australia
lee.smales@curtin.edu.au

Keywords: News sentiment; Futures Markets; Trading Behaviour; Gold; COMEX; Information

This article utilises commodity specific news sentiment data provided by Thomson Reuters News Analytics to examine the relationship between news sentiment and returns in the gold futures market over the period 2003-2012. There is an asymmetric response to news releases with negative news sentiment invoking a greater contemporaneous response in returns of gold futures than positive news. The business cycle influences the news / return relationship with news sentiment having a greater impact during the recession of 2007-2009; the asymmetry effect is reversed during this period with the less frequent positive news having a greater impact on returns than negative news. Consistent with models of inventory control and hedging pressure, there is evidence to support the supposition that market positioning significantly impacts the identified sentiment relationship with effect greatest when traders are holding inventory contrary to their natural position; this may be partly explained by the relative ability of traders in forecasting news events.
JEL Codes: G10; G14

1. Introduction