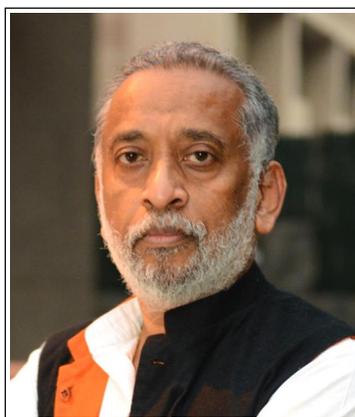


Stock advisories on electronic / social media – Challenges



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As governments across the world struggle with the economic catastrophe, central banks have reached for the playbook of the 2008 global financial crisis. They are pumping liquidity into the banking system. This will trigger a rise in share prices across the world because there will be a lot of money to be spent which the funds and

institutions will have to deploy somewhere. With slow growth worldwide, the markets are possibly the only place where there will be some room to play. Does this represent real value or not? Who will be the gainers? Will some stocks move up mysteriously? Will those be real moves? We shall see how these pan out in the weeks and months ahead. Perfect Relations is working on a war-footing to offer solutions that matter most to our clients and will persist until the curve flattens and citizens, economy and markets recover.

Corporate uncertainty remains

There is no quick fix. The Indian economy was cratering even before the pandemic hit. The lockdown just made it worse. Now as India slowly reopens, the needle seems to be moving, but is it enough? With uncertainty prevailing, distribution of information plays a crucial role in shaping financial markets. Media, therefore, is a critical intermediary for the dissemination and interpretation of financial information. At Perfect Relations, our robust and growing Financial Markets Practice has found substantial changes in the way media functions in the Covid times. Today we have reason to believe that some of these practices and influences will only grow and embed themselves deeper.

Old familiar rings true

The pandemic created both opportunities and challenges for the media sector. Social distancing has led to a spike in at-home media consumption, and growing numbers are turning to news providers for timely and trusted information on the crisis. According to a recent survey by C-Voter Gallup, a whopping 74.1 per cent of people in India were dependent on the traditional media for information related to COVID-19 while 18.5 per cent of people were dependent on social media for the

information. And only 5.2 per cent of people were dependent on community info.

Though traditional media services such as television and newspapers have been severely dented due to drop in ad spends, they are still a force to reckon with. In the surge of information, misinformation and outright fake news that surrounds us, people still turn to old media for news they can trust.

How does media affect the stocks?

It is important to understand what information normally moves the stocks; from an expositive news release on earnings and profits or the introduction of a new product or a product recall, a large contract or layoffs, anticipated takeover or merger, a change of management or an accounting scandal or a sheer swing in investor sentiment can heavily influence the stock movement.

More often, companies who are covered well by the media attracted more investors since it induced them to incorporate greater transparency in information, increase the probability of informed trading and experience lesser price deviation from random incidents. Smaller, unknown companies tend to have fewer investors, leading to higher risk. In short, greater media coverage influences a stronger price and trading volume reaction; hence the term – “news losers and non-news losers”.

Social media: always on

Today, it is social media that is the people’s go-to platform. It is here that people are freely opining and sharing information about investment on online forums, microblogs and social networks. Social sites, which can be regarded as an extension of word-of-mouth information, have given everyone the power to influence the opinion of others and, in turn, influence other’s financial decisions.

For certain type of traders, there are reasons why they are willing to put their money into their social media mouths. Social media enables the quick spreading of news and opinions, which form the basis of movement in stock prices. In India, most companies have to disclose corporate information to shareholders through their websites. Besides, many companies are using social media platforms to promote their products and services, communicate with their customers and build their respective brands. But often two kinds of communication efforts don’t totally match. Stock information is ringfenced by regulatory rules, but the rest of it often has a mind of its own.

Faking it: the danger of misinformation

But there is a dark side to the digital revolution. While it has made people more informed so that they can make

better decisions, what if this information is misinformation? False information can change the way people look at the world, can create doubts in their minds and mislead them to make the wrong choices. Much of what is passed around these days may be unverifiable news. Investors need to be aware that such reports may be particularly suited to those attempting to move markets in either direction. It is for this reason why investors are looking for higher levels of reliability.

Owning and finding your voice

This is where owned media offers a distinct advantage. In a sea of mistrust and falsity, owned digital channels allow a company to exercise complete control over their branded website, blogs, apps and official social media handles. While earned media is more trustworthy to customers than owned media alone — the first step to gaining earned media is steadily producing effective owned media.

During the Covid-19 pandemic, we at Perfect Relations have worked with multiple companies to make sure that their real values are known and that many voices they use sing in a harmonious chorus. The goal is to be authentic in approach – to be able to tell their own story in the manner that they choose. I often write and speak about how social media can be part of an effective marketing plan designed to help you reach your business goals. But this strategy starts at the top, typically with the CEO and senior management.

It is increasingly important that CEOs now engage with social media individually. This is about deploying your most trustworthy voice. People will search for what is authentic in terms of voices. So, a distinction needs to be made between what the company is saying and the voices of the owners. This can be incredibly effective if the CEO leads by example and shares and pushes the company's messaging. At Perfect Relations, we recognise that this is the time when businesses have been forced to change, and some changes are permanent. Our team advises CEOs on how they can play a role in this new state of affairs that businesses are entering into.

The future of truth

Nowadays the widespread popularity of media means fake news of any quality can reach millions of people almost immediately. The impact of fake news on financial markets and high-frequency trading cannot be understated. Google and Facebook are getting in on the fake news act for common consumers of news, trying to build their own "lie" detectors. But financial news consumers may also need to understand the importance of live coverage and social media with recognizable, verifiable, trustworthy handles.
