

## #newscrashrecover

A hacked tweet briefly unnerves the stockmarket



IT WAS over in less than three minutes. At 1:08pm on April 23rd a fake tweet from a hacked Associated Press account asserted that explosions at the White House had injured Barack Obama. Stock prices immediately dropped, wiping more than \$130 billion off the value of the S&P 500. That understates the severity of the episode, since in many cases liquidity simply disappeared altogether.

It was the first Twitter crash and, as is often the case with Twitter, it was brief and superficial. The Associated Press itself was quick to clarify that the original report was false. This was echoed by the White House. Markets recovered, ending up for the day.

A group calling itself the Syrian Electronic Army took credit for the attack, but that claim remains unverified; investigations are under way. The identity of the perpetrator, in any case, matters less than the lessons this episode has for the future. The potential for social media to move markets has increased in recent weeks, after a report by the Securities and Exchange Commission enabled companies to use services such as Twitter and Facebook to report news. Bloomberg this month announced that it was integrating Twitter feeds into its terminals.

Twitter's credibility (a novel idea to non-tweeters) has taken a hit. But human users must extract some sort of signal every day from the noise of innumerable tweets. Computerised trading algorithms that scan news stories for words like "explosions" may have proved less discerning and triggered the sell-off. That suggests a need for more sophisticated algorithms that look for multiple sources to confirm stories.

A market sent skittering in one direction and then another because of false signals does little to provide information or instil confidence. And yet what did not happen is notable as well. Despite the prevalence of "momentum" algorithms that could be expected to transform any ripple in prices into a giant wave, the selling reversed as soon as the truth emerged. Downward panic did not feed on itself, but proved responsive to clarification. The Twitter crash underscored the value of accurate information and discerning recipients. But that is hardly new.

**Fonte: The Economist, London, v. 407, n. 8833, p. 68, Apr. 27<sup>th</sup> – 3<sup>rd</sup> May 2013.**