

Predicting Stock Returns and Trading Volumes using Search Engine Query Data

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ABSTRACT

We have witnessed data revolution over the last two decades, which has improved the availability and accuracy of data by leaps and bounds. It has also birthed a repository of unprecedented volumes of unrestricted and cost-free data, such as online search volumes, creating a novel instrument for studies into the social sciences. This study examines the ability of online ticker searches to serve as a valid proxy for investor sentiment and forecast stock returns and trading volumes for a sample of NSE Nifty 100 firms over a span of five years with a weekly horizon. Contrary to most of the previous literature on the subject, we find that ticker search volumes do not exhibit any predictive value for future excess stock returns for the period of 2015-2020. However, we find a weak but significant positive effect of ticker search volumes on trading volume with a two-week lag.

Keywords: Online Ticker; Google Search Volume; Stock Returns; Trading Volume;