

Hedge fund invests based on the mood of the Twittersphere



Successfully predicting the patterns of a financial market has always been a job for skilled fund managers relying on their own knowledge and experience. Now, [Derwent Capital Markets](#) have just launched a hedge fund that uses Twitter to monitor the mood of the market — giving their fund manager an added resource to inform investment decisions.

The London-based investment boutique recently launched the social media-based hedge fund which will consist of liquid equities and equity indices. Software with the ability to analyze the mood and sentiment of tweets will be used in combination with pre-existing trading algorithms, according to a report in the [New Scientist](#). This analysis will then be able to provide Paul Hawtin, the Founder and Fund Manager, with a better understanding of the overall mood of tweeters, which in turn has a knock-on effect on the market. For example, the New Scientist reports that after a few days of high levels of anxiety on Twitter, the Dow Jones usually falls. In Hawtin's own words, "For years investors have widely accepted that financial markets are driven by fear and greed but we've never before had the technology or data to be able to quantify human emotion. This is the 4th dimension."

As we emerge from recent economic troubles, any hedge fund claiming to have greater insight into a financial market's activities is sure to attract investors. Although the tweets of many individual Twitter users may be of questionable worth when approached in isolation, examining the Twittersphere as a whole can lead to valuable and intriguing insights. How else could you tap into this accumulated wisdom? (Related: [Social insurance company relies on communities to reduce premiums.](#))

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