Bad News from the Stock Market

by Antonio Ciccone and Felix Rusche

The impression that the media focuses on negative news is widespread. Is good news systematically ignored in newsrooms? An alternative explanation for negative reporting is that progress in many areas consists of continuous, small improvements, occasionally interrupted by larger setbacks. Since newsrooms tend to focus on major events, coverage may end up being mostly negative. For example, a plane crash caused by a technical failure is a dramatic event. In contrast, individual technical advances that steadily improve flight safety are usually too minor to be considered newsworthy.

We examine news coverage in an area where small and large, positive and negative new developments occur continuously: the daily performance of stock markets. Figure 1A illustrates a key pattern regarding media coverage and the performance of the main national stock markets in the U.S. and the five largest European economies between 2017 and 2024. In each country, the 10 most-read online media outlets publish more reports on the national stock market index when the daily change is large, particularly when the change is large *and* negative. Figure 1B shows a second important pattern. While the average daily performance of the main national stock market index has been positive across all six countries, a different picture emerges when daily media coverage is considered. When weighted by the relative number of media reports, the average daily performance turns negative in every country.

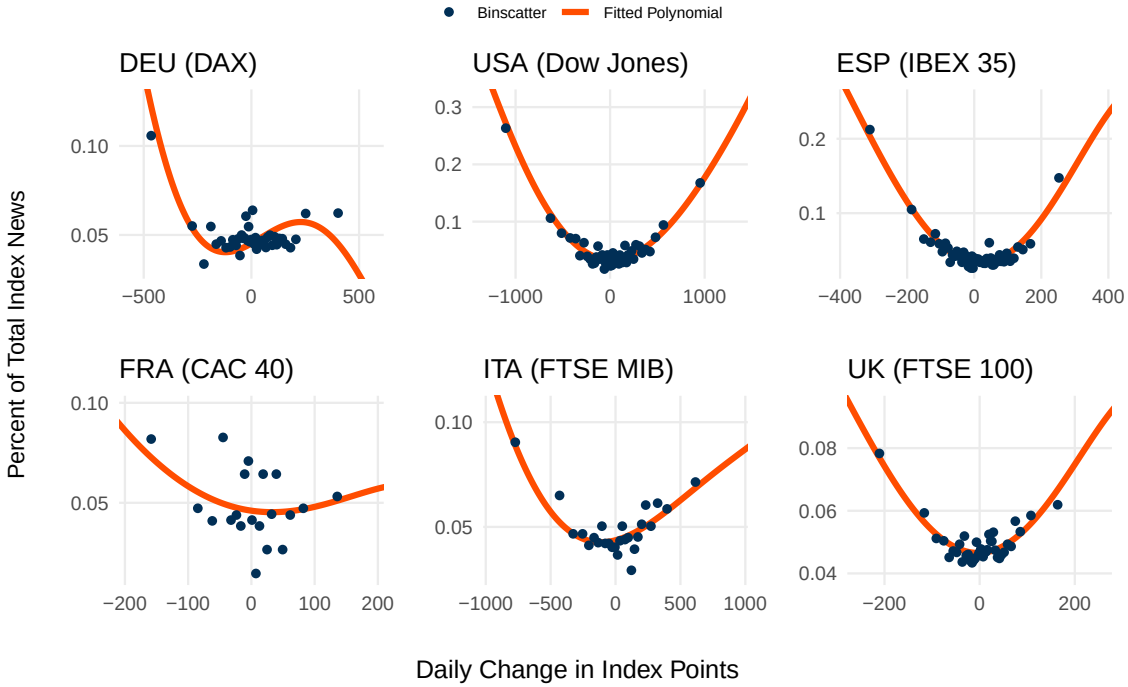
A case in point is the coverage of Germany's benchmark index (DAX) in the most-watched nightly news program on German television, the ZDF *heute-journal*. The broadcast typically features a live segment from the Frankfurt stock exchange, summarizing the day's most important economic news. On roughly 30 percent of trading days, this segment also mentions the daily performance of the German stock index (DAX). We analyze all 1,846 live segments aired between 2017 and 2024 and compare the average daily performance of the DAX on days when it was reported to its overall average daily performance.

The DAX rose at an annualized rate of 7 percent between 2017 and 2024 – an average *gain* of 4 points per trading day. Nevertheless, on days when the DAX daily change was mentioned in the *heute-journal* live segment from Frankfurt, the DAX recorded an average *loss* of 10 points. The *heute-journal* live segment tended to deliver bad news from the stock market, even though the DAX rose over the period. On trading days without coverage, the average daily change of the DAX was 6 points higher than the average on all trading days – no news was good news.

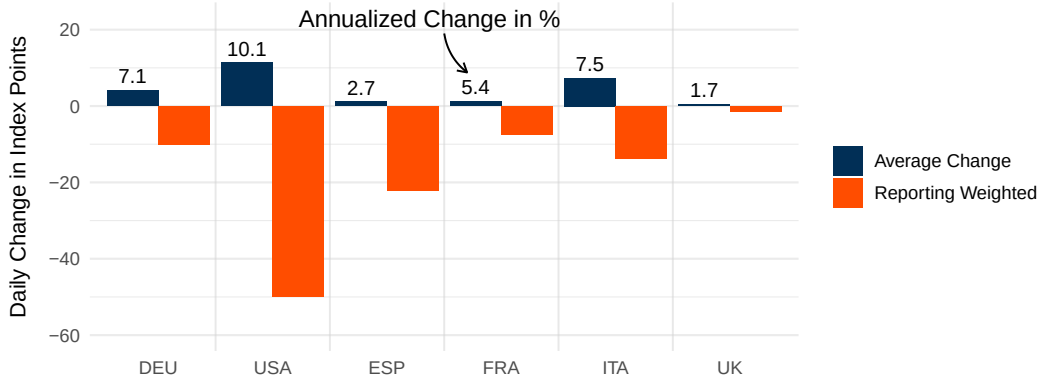
In Figure 2, we illustrate these results graphically. The blue curve shows the actual DAX index between 2017 and 2024. The orange curve shows the *reported* DAX, composed of the reported daily DAX changes and an assumed DAX change of zero on trading days without

Figure 1: *Media Reporting on Six Main National Stock Indices*

(A): Binscatter and 5th-Degree Polynomial of Daily Index Change and Media Reporting



(B): Actual and Media Reporting Weighted Change

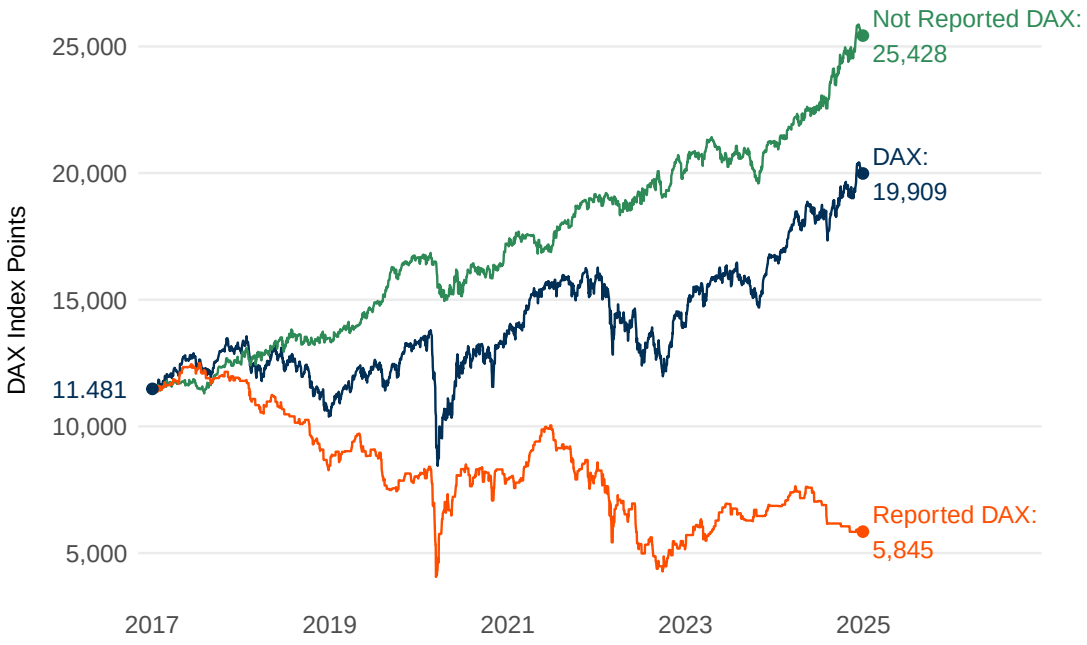


Note: *Panel A* shows binscatter plots of the daily change in index points of the main national stock market indices of six countries (horizontal axes) against daily media reporting on the indices by the country's 10 most-read online media (vertical axes). The data is for the 2017-2024 period. Daily media reporting is the number of daily reports relative to total reports over the period. The number of bins is determined by the IMSE-optimal direct plug-in rule cattaneoBinscatter2024. The curves are fitted 5th-degree polynomials. *Panel B* shows the average daily change of the indices in points. The blue bars are the actual change (the numbers on top are annualized returns in percent). The orange bars are the average daily change of the indices when weighted by media reporting.

coverage. The reported DAX falls from 11,481 points to 5,845 points – a loss of about 8 percent per year. The strongly negative trend of the reported DAX is a direct result of the negative average reported daily DAX change. The green curve shows the trend of the *non-reported* DAX, composed of the DAX daily changes on days without a report and an assumed DAX change of zero on days with coverage. The non-reported DAX rises more strongly than the actual DAX – another consequence of the negative average reported daily change.

How can we explain the strongly negative *reported* daily DAX performance in the *heute-journal* live segment from Frankfurt – despite the rise in the DAX between 2017 to 2024? A first explanation is that the segment is somewhat more likely to mention daily changes in the DAX if these are large and negative. This indicates a tendency in the newsroom to focus on bad news from the stock market. The second explanation combines two factors. First, relatively large negative changes in the stock market occur slightly more often than equally large positive changes. Second, the *heute-journal* live segment is significantly more likely to report large DAX changes in any direction. That is, the coverage of the stock market is focused on relatively large daily DAX changes and these tend to be negative on average – although the overall average of daily changes is positive.

Figure 2: *Actual DAX and (non-)reported DAX in ZDF Nightly News*



Note: The figure compares the DAX performance over the 2017-2024 period (blue) to the DAX as reported on the ZDF nightly news live segment from Frankfurt (orange). The orange line only includes changes with a news report, treating days without a report no change. By contrast, the green line tracks days without a news report.