

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Sentiment Analysis of the Stock Market

By www.ProfitableInvestingTips.com

The broad set of appetites, fears, and beliefs of those investing in and trading the stock market are referred to as market sentiment. This crowd psychology or tone of the market drives prices up and down. At its extreme, it is manifested by fear in falling markets and greed in rising ones. Successful sentiment analysis of the stock market provides extra and early insight for successful stock investing and trading. Common indicators of market sentiment include the put to call ratio, the VIX “fear” index, the breadth of stock prices, the degree to which the market is seeking safe haven assets, the high/low market index, and the CNN Fear and Greed Index.

Sentiment Analysis in Financial Markets

Standard analysis of financial markets always includes [important moving averages](#) and other ways to make sense of market data. But, sentiment analysis in financial markets that can give you insights before the standard market data shows you anything. An interesting finding some years ago was that Google searches for a company name have a high degree of correlation with price changes of that company’s stock the following week! Sentiment analysis in the stock market has to do with getting into the minds of investors before they start driving prices up or down.

Stock Market Sentiment Indicators

Stock market sentiment indicators that precede stock price movement include information from the options market. The VIX index is based on volatility of S&P 500 options prices over a month. When the VIX goes up, it indicates market uncertainty (and fear) and when it goes down, it indicates a relaxed and secure market. Another simple and useful indicator is when the market swings to safe haven assets. When this happens, the VIX also tends to be high. Other indicators like the CNN Fear and Greed Index generally reflect the same swings in market sentiment.

Trading Market Sentiment

Technical stock traders follow technicals when planning and executing their trades. The rationale is that the market takes into consideration all available data and reacts accordingly. And, by reading the data, one can predict near-term changes in the market. Market sentiment information can be added to the mix to give the trader a heads-up as to where to watch for profitable trades. Because market sentiment indicators precede market changes, successful traders use the info to direct their research but rarely to guide specific trades.

US Stock Market Sentiment

Because the stock market always looks forward, US stock market sentiment does not always match the state of the economy or recent events that should be driving stock market prices. We have seen this in 2020 when the Covid-19 pandemic crashed the stock market and then tech stocks came roaring back. Although much of this

was based on continued or improved earnings, it was also based on positive market sentiment. Investors are looking past the pandemic to a positive future. This is why the market has seemed to be [ignoring the economy](#).

Measuring Market Sentiment

Without accurate ways to measure the sentiment of the market, market sentiment assessment is a lot like stock tips. They may be useful but you need to do your own homework before acting on them. In the case of market sentiment, this involves using the standard market sentiment indicators like the VIX or flight to safe haven assets. Because these measures of market sentiment do not have a one to one correlation with subsequent stock prices, investors need to follow up with standard measurements of market data and technical indicators.

Weak Market Sentiment

When investors do not see much hope for market gains you see weak market sentiment. It is not negative sentiment in which investors expect to see the market fall but rather the sense that there will be little or no market growth for the foreseeable future. At times of weak market sentiment, you can expect to see short term investors and traders move into cash or cash equivalents. On the other hand, dedicated long term investors will assess long term [intrinsic stock value](#) and adjust their portfolios accordingly.

What Is Sentiment Analysis in Marketing?

Sentiment analysis is not limited to the stock market. It is commonly used in marketing. The point is to look past what customers say about a brand and understand what they want. While traditional data includes clicks and shares, sentiment analysis in marketing looks at the quality of customer to brand interactions. This information is of the sort that experienced salespeople come to understand over the years but can be arrived at by analyzing internet data instead of accumulating insights over many years.

For more insights and useful information about investments and investing, visit

www.ProfitableInvestingTips.com.

Educational Resources

**Click the links below to get your
FREE training materials.**

Free Weekly Investing Webinars

Don't miss these free training events!

<http://www.profitableinvestingtips.com/free-webinar>

Forex Conspiracy Report

Read every word of this report!

<http://www.forexconspiracyreport.com>

Get 12 Free Japanese Candlestick Videos

Includes training for all 12 major candlestick signals.

<http://www.candlestickforums.com>

Disclaimer: Trading and investing involves significant financial risk and is not suitable for everyone. No content on this document should be considered as financial, trading, or investing advice. All information is intended for educational purposes only.