CAN GOOGLE TREND SEARCH PREDICT STOCK MARKET? EVIDENCE FROM BSE

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ABSTRACT

Behavioural Finance find that stock markets across the world can–be driven by a person's emotional reactions to business changes. In recent surveys, social media has been measured in terms of its utility in measuring financial market movements. This paper aims to evaluate these results by Google Trends. A quantitative method to investigate the relationship between Google search patterns and the stock indexes has been tried in the analysis to determine the strength of Sensex. This analysis has been based on a secondary sequence, covering the time frame from 01.01.2015 to 31.12.2020. The descriptive statistics findings showed that the data on Google and the stock market index were normally distributed. The correlation analysis showed that there was a positive relationship between the variables, namely, Google search and stock index. The results of the analysis were considered to be useful to the investors and other participants of stock market, by understanding the influence of Google Trends Search on the stock market.

Keywords: *Stock index; Stock Volume; Stock Volatility; Google Trends Search*

1. INTRODUCTION

Many people in the world use Google's search engine as a resource for knowledge collecting information. It is found that Google accounted for close to 90% of searches, as the Google search engine is primarily managed by the search engine on a global scale. Firms learned to appreciate the presence of the internet platform's organic search results and now they are using it to draw in their target customers (Harford, 2017). These trends can be obtained from Google's search engine, which keeps track of statistics for different questions posed on their system. The Google network has drawn the information analytics community, which is, in turn, used to detect stock price patterns or market dynamics. In previous years, Google's Trends Search (GTS) was a valuable measure of investors' interest. The investors' sentiment is a good indicator of traditional trading in stock markets. With the advent of the internet and easy availability of information, the stock market sentiment has recently been observed online, where the investors' sentiments are studied based on the search keywords about companies. Now–a-days, the prospective investment decisions are usually taken with the help of technology. Searching through Google is an invaluable research platform for obtaining valuable information. A search on Google gives details of the information gathered from Google search, which is publicly available and aggregated as a Trends, which is searchable. According to the Google archives of all search keywords, their historical search indexes are easily available via the Google Trends tool. Hence, as Google is the most common searchable of the internet, it is considered a Google search engine. Several scholars acknowledged Google Searchers to gather information about company and stock returns for their research (Laurens Bijl. et al, 2016). The keyword 'buy' is usually used, along with a company name, in websites like google.com when a person searches for information, indicating an interest in buying stocks of that company. By using the search keyword 'buy', along with the company name, the required data could be extracted from Google Trends, for a specific period. Testing any possible relationships between the word 'buy' and BSE stocks is the subject of current research. Hence this study. BSE is a broad-based index, representing 30 large stocks on the Bombay Stock Exchange Ltd, India. BSE Sensex stocks were chosen for this study because it represents more than 55% of free float market capitalization in the exchange.