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Babson College student, alum launch company that uses Twitter to predict stock market swings
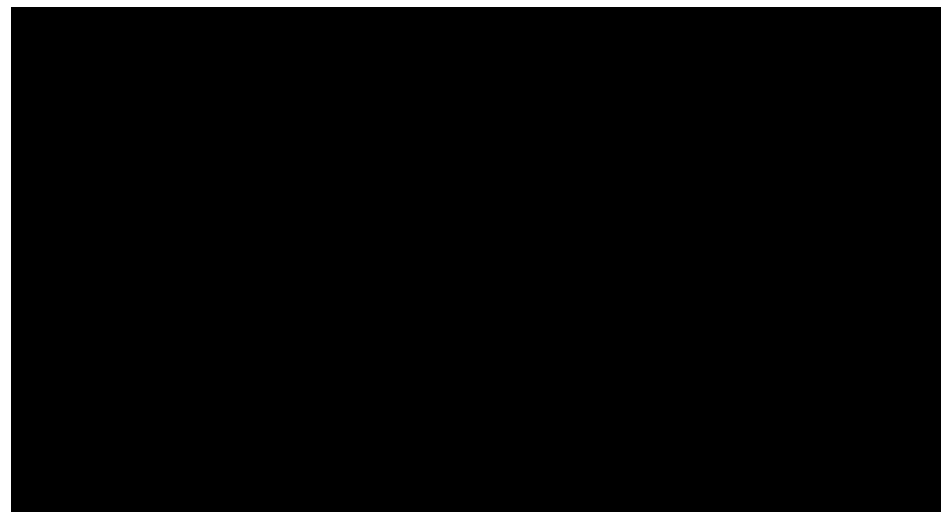
Posted by Matt Rocheleau November 7, 2013 02:57 PM

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(Zingfin.com)

The above video made by Zingfin explains what the company does and how it works.

By Matt Rocheleau, Town Correspondent

A Babson College graduate student and a recent alumnus of the school have launched a company that uses social media, primarily Twitter, to try to predict changes in the stock market.

The company, Zingfin, was founded earlier this year through the college's Arthur M. Blank Center for Entrepreneurship by Balaji Viswanathan, 30, who is studying to get a master's degree in business administration, Anup Gosavi, 26, who recently earned his, and Manju Radhakrushnun, 25, Viswanathan's wife who recently graduated from a school in India.

"We've found that social media is a really good indicator to look at the stock market," said Viswanathan.

He pointed to some recent examples.

In August, billionaire investor Carl Icahn Tweeted that his investment company had "a large position" in computer company Apple, that Apple was "extremely undervalued"

and that he'd told Apple CEO Tim Cook the company should do "a larger buyback." Immediately, Apple's stock surged and was up by as much as 5.69 percent that day.

About a week and a half later, in the hours leading up to the release of Pandora's latest earnings report, Viswanathan said he and his colleagues noticed a lot of negative tweets about the internet radio company. Just after the release of the earnings report, which showed the company forecasted future earnings below analysts' expectations, shares in Pandora dropped.

Zingfin culls data primarily from Twitter, Stocktwits, blogs and the news media. Then, the company filters through those results to try to provide, in a single interface, the most reliable real-time data.

"It's not just about how much data we can give, but how much reliable data we can provide," Viswanathan said.

He said his company, which formed in February, has only has about 10 months worth of data. But, so far, they are cautiously optimistic about the results.

"We have showed that there could be a predictive ability using social media. We are already getting ahead of the market," he said.

Using social media and search engine trends to try to predict, among other things, stock market moves has become increasingly popular in recent years. Researchers have said monitoring social media can be a helpful tool for investors, and companies that offer similar services as Zingfin have cropped up.

Zingfin plans to open up for public use in January, Viswanathan said. For now, the company has about 2,000 users and is in a private, pre-launch phase to perfect its system.

A basic version of the tool, which offers slightly-delayed data, is free. A more advanced version, which the company plans to market to active stock market traders, provides real-time data at a rate of $3 a day.

The start-up received initial funding through the Tennessee-based Jumpstart Foundry before getting seed funding from California-based Boost VC.

Along with the three founders, the company has one consultant and two mentors.

Viswanathan said the first part of the company's name, Zing, is meant to represent "speed, hip and cool." The end is an abbreviation for finance.

"It's a really quick, really hip way to see finance," he said.

He said that his company has found that, for now, younger demographics seem to be most receptive to the idea of using social media as a stock market prediction tool.

"The older demographic is a little slower to the idea. They still see Twitter as people just talking about what they had for lunch."

But, Viswanathan said he thinks the older demographic will come around, especially if there's money to be made.

"The Twitter age group is growing older. A lot of people in their 40s and 50s are actually starting to enter Twitter," he said. "Even [financial] industry professionals are getting active on it and some cannot restrain themselves from tweeting."

Matt Rocheleau can be reached at mjrochele@gmail.com. Looking for more coverage of area colleges and universities? Go to our Your Campus pages.

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