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Twitter Hoax Proves Growth in Algo Trading

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By Phil Albinus

A few weeks have passed since a bogus tweet from a hijacked Twitter account sent markets in a dive for a few frantic moments. The prank revealed many things about our markets, some of them bad and some rather reassuring.

While the markets did indeed dive 145 points, they soon recovered when the news was confirmed to be bogus. Score one for the 24-hour news cycle, social media and other platforms that helped debunk the rogue tweet almost instantly. This news was corrected by human beings -- many of them in the White House -- who told reporters that all was well and no bomb or bombs had gone off.

On the downside, we still have no idea who unleashed the tweet and what safeguards the Associated Press has since put in place to make sure this never happens again. Is there a new Twitter account called "The Real AP"? And we have yet to discover whether this single tweet came from a rogue nation, a prankster or an investor trying to game the system.

According to some industry observers, we may never know.

"Technology in trading has developed to a state where experimenting is very cheap. It used to be the case that a new way of analyzing your portfolio was a year-long project and you had to commit to writing some big checks before you bought anything," Alexei Miller, executive vice president of DataArt, tells the *Wall Street Journal*. "But now, you have an idea, and for $10,000 you can see if it works out…That used to cost a million bucks."

Perhaps the real victim will be Twitter, as people may have to add more skepticism and real-life experience to their online habits.

"You need to have proper controls in place, you can't treat Twitter like a news source," says Oli Freeling-Wilkinson of Knowsis, a London-based firm that helps quantitative trading firms trade using social media.

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