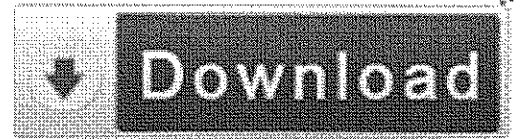


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**THE GLOBE AND MAIL** 

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## Hacked and hoaxed: Twitter feed roils market

By DAVID BERMAN

*Abrupt plunge provides fodder for those who worry about social media and high-frequency trading*

The market mayhem that followed a hacked Twitter feed erroneously reporting an attack on the White House highlights the growing issues around using social media as a news and investing tool.

The Associated Press's official Twitter account said that two explosions had injured U.S. President Barack Obama, sending the Dow Jones industrial average into a 150-point tailspin within a matter of seconds, shortly after 1 p.m. (ET) Tuesday.

The move erased what had been strong gains. Bonds, currencies and commodities were also roiled, but recovered within minutes. The Dow ended the day up 152.29 points or 1.05 per cent. The abrupt plunge provides fodder for those who worry that a growing reliance on social media and high-frequency trading makes markets vulnerable to attempts to manipulate short-term stock movements.

But the quick recovery also demonstrates the impressive speed at which mistakes can be corrected. AP suspended its Twitter account after recognizing it as a hoax, and the White House also responded to the news immediately. A group calling itself the Syrian Electronic Army has claimed responsibility.

While the market's lurch was brief, the disruption now being called the "Twitter Flash Crash" is likely to re-ignite concerns about social media's role as a key conduit for market information. Earlier this month, the U.S. Securities and Exchange Commission issued guidance permitting companies to make announcements on social media sites such as Facebook and Twitter.

One worry is that these sites may fall victim to malicious attacks. The Syrian Electronic Army took credit last week for hacking the Twitter account of CBS News' *60 Minutes*, and has previously hacked into a BBC Twitter account.

Another concern is that social media can amplify noise, or spurious information, said Yaniv Altshuler, a researcher at MIT Media Lab.

"You need to tune and control and moderate the network," Mr. Altshuler said. "Otherwise, you could become a victim of an anomalous event or a malicious-intent event."

The impact from the AP hoax was short-lived despite the vigorous market reaction. The bogus tweet was limited to the AP feed and was corrected quickly.

The Dow's 150-point move paled next to the 2010 Flash Crash, which sent the Dow reeling more than 1,000 points or about 9 per cent in a sudden drop.

That event had nothing to do with social media or hoaxes, but was rather blamed on a bizarre series of self-reinforcing reactions from high-frequency traders.

These computer-driven investors react instantaneously to various triggers, and they will likely take some of the blame for Tuesday's volatility as well.

"Automatically, electronic trading kicks in and they don't know the difference between a fictitious story and the truth," said Sean Murphy, a U.S. Treasuries trader at Société Générale in New York, according to Reuters.

The hoax comes at a nervous time for markets. Bombings in Boston and an alleged terrorist plot to attack a Via Rail train in Canada have put investors on edge.

As well, U.S. stocks have been rallying without so much as a 5 per cent correction since November, leaving even bullish investors convinced that a market correction is due.

Phil Pearlman, executive editor of StockTwits, a social network for investors and traders, expects that Tuesday's hoax could create a backlash against Twitter.


But he pointed out that while the social media network made it easier to launch a hoax, it also made it easier to correct the error — and fast.

"There's nothing anyone can do," he said, in terms of limiting social media's tremendous reach. "People are going to use these tools. They are widely used, so there is no going back even though you may see some knee-jerk reactions from news organizations or those directly involved in markets."

The U.S. Securities and Exchange Commission is looking into the bogus tweet, according to SEC Commissioner Daniel Gallagher. The FBI is also investigating the hacking attack, a spokeswoman said.

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