

# Abstract

This paper investigates the impact of news sentiment on mutual fund returns across several countries in the Americas, examining both developed and developing markets. By leveraging advanced Natural Language Processing (NLP) and machine learning techniques, the study integrates news sentiment into asset pricing models, thereby enhancing their precision. A Vector Error Correction Model (VECM) is used to analyze the complex interactions between news sentiment and mutual fund returns, addressing potential endogeneity and capturing the dynamic relationships over time. Though variations in the effects of news across different countries were expected, developed markets exhibit more consistent and synchronized reactions. It is observed that the effect of news sentiment on the first lag is generally lower than that of their respective stock market indices for both Canada and the USA. In contrast, mutual funds in developing countries such as Brazil, Argentina, and Chile show greater divergence in their reactions, both among themselves and relative to their market indices. Notably, Mexico exhibits characteristics of both developed and developing markets, with early responsiveness to news similar to the USA but with larger coefficients. This study offers valuable insights into regional differences in market behavior, emphasizing the need to account for these variations to improve the accuracy and effectiveness of financial analyses and investment strategies.

**Keywords:** News Sentiment, Mutual Fund Returns, Decision-Making, Asset Pricing Models, Natural Language Processing.