THE EFFECT OF SOCIAL MEDIA ON
STOCK MARKET EVIDENCE FROM TWITTER

Yaacoub Georges Mhanna & Lan Sun
Central Queensland University, Sydney, Australia.
Corresponding Email: Yaacoub.mhanna@cqumail.com; l.sun@cqu.edu.au

Abstract

In this study, we investigate the sentiment of social media to predict stock market performance. In particular, we test the relationship between the twitter activity, number of tweets and followers, and the stock return, volume, and volatility of top 82 companies listed on ASX. We obtain a data set of number of tweets and followers from each company's twitter account at end of the fiscal year 2019. Our results indicate that stock return is positively associated with the number of organizations' twitter followers, suggesting firms with high returns are likely to have significant number of followers. Moreover, stock trading volume is positively (negatively) associated with the number of organizations' tweets (twitter followers). These findings suggest that firms with high liquidity tend to have significant flow of tweets information rather than many followers with few tweets. However, we find no evidence suggesting that twitter followers and tweets are associated with stock volatility. This study will assist regulators in understanding to what extent the information on major social media platforms can help investors in their investment decision-making.

***Keywords*:** Social Media, Twitter, Stock Market, Efficient Market Hypothesis, Behavioral Finance.