

Social media sentiment and retail investors behaviour

ESMA Webinar, 3 November 2026

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Growing social media use

18+
hours a week spent on social media platforms

~7
social media platforms actively used each month

100+
available platforms in 2026, but only about 15 really matter for brands

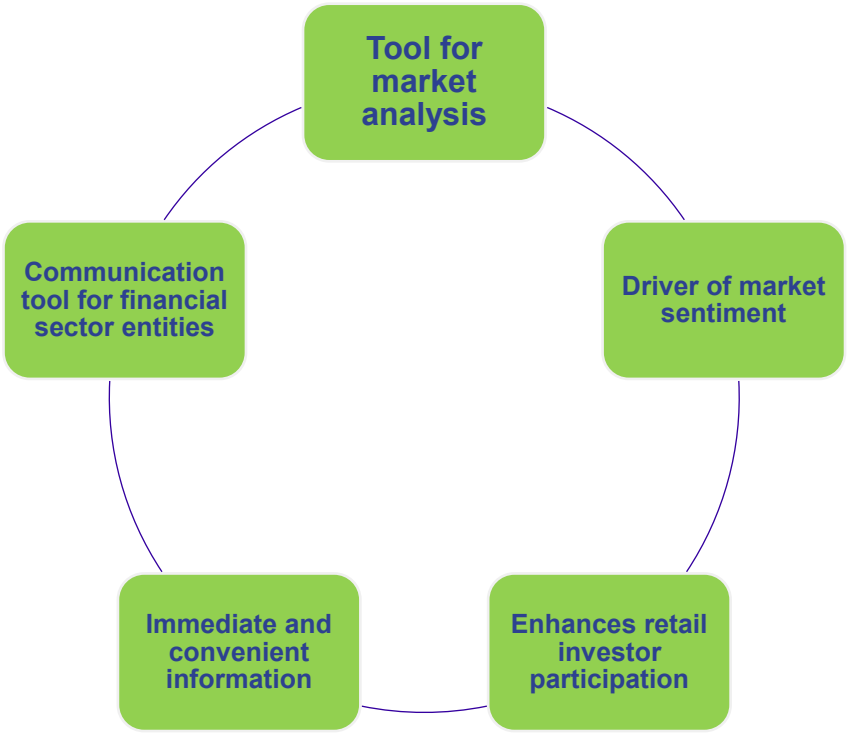
Social media have become a primary source of information on financial matters

—So-called ’finfluencers’ simplify subjects like investing, retirement planning and wealth accumulation into short, easily digestible content

—Celebrities and other influencers, often without any financial background, have also jumped on this trend

Social media in financial markets: role

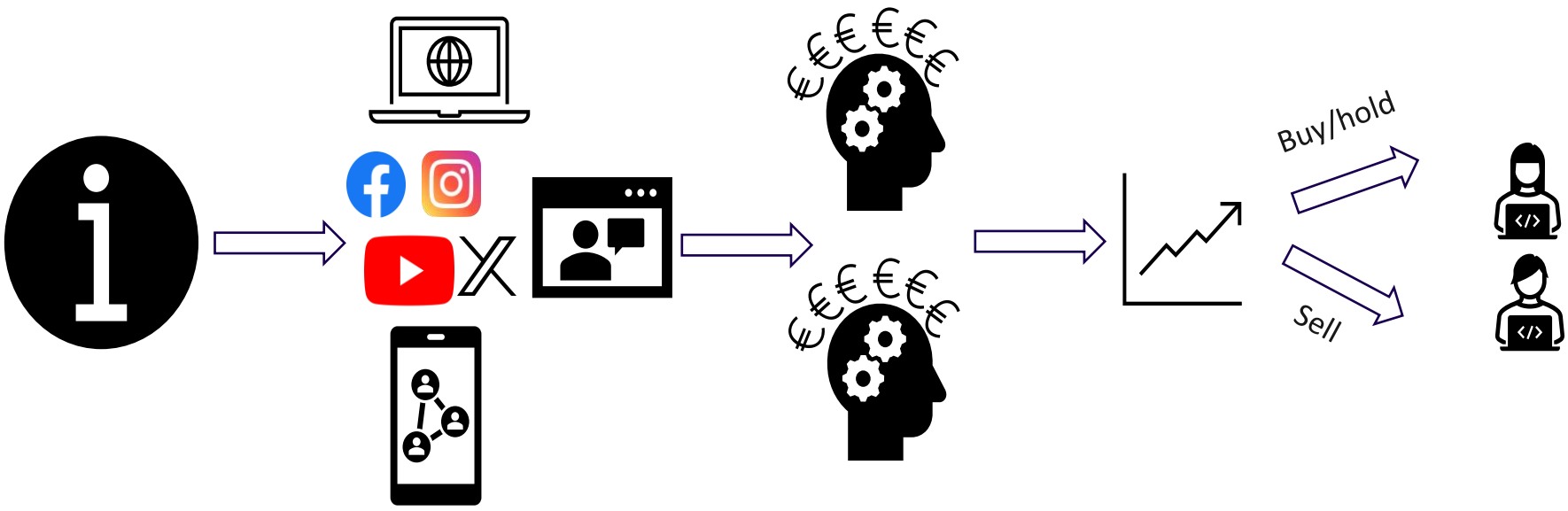
Opportunities



Risks

Investor protection	• More interactions with amateur investors rather than experts • Potentially wrong information; exposure to financial losses
Market abuse	• Scope of increased speculation
Orderly markets	• Potential wider implications in terms of price dislocations

How does social media and financial news affect stock market decisions?



Source: Khan, Wasiat & Ghazanfar, Mustansar ali & Azam, Muhammad Awais & Karami, Amin & Alyoubi, Khaled & Alfakeeh, Ahmed. (2022). Stock market prediction using machine learning classifiers and social media, news. Journal of Ambient Intelligence and Humanized Computing. 13. 10.1007/s12652-020-01839-w.

When risks materialised – real-world examples

2024

GameStop, again

Three years after the famous 2021 frenzy, social media sparked a new spike in the share price, followed by heavy losses for retail investors.

2025

Ramp-and-dump scams

+300% jump in US complaints in 2025 about fake “investment groups” that trap investors into private chats, pump up a small stock, then sell.

Research questions and main findings

Do social media interactions relate to retail investors' realised returns and underlying return realisation?

- This analysis documents whether social media activity affects retail investors trading outcomes and choices through a sentiment channel distinct from misinformation and market abuse
- Results show that social media sentiment measures are significantly correlated with trading behaviour and buying and selling choices
  - When sentiment is positive, retail investors realise positive returns and sell more than they buy
  - When opinions diverge, they realise negative returns and buy more than they sell

Data and sample

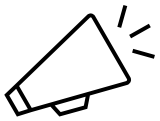
Data

- Stockpulse: **235 million** daily social media messages from Twitter/X; Reddit; Stocktwits
- MiFIR transaction data: Buy/sell transactions and prices, including information on investor age

Sample selection

- 111 most mentioned stocks on Twitter/X
  - The top 100 stocks cover ~70% of total social media messages in the dataset + largest 10 components of Eurostoxx50
- Identification: Keep cases where the number of messages > 10 across platforms
- Timeframe: Daily observations between Jan-22 and Dec-25; days split in before market open (BMO) and active market period

Three social media signals identified



Attention
How much a stock is actively discussed



Sentiment
Aggregate directional tone of social media messages

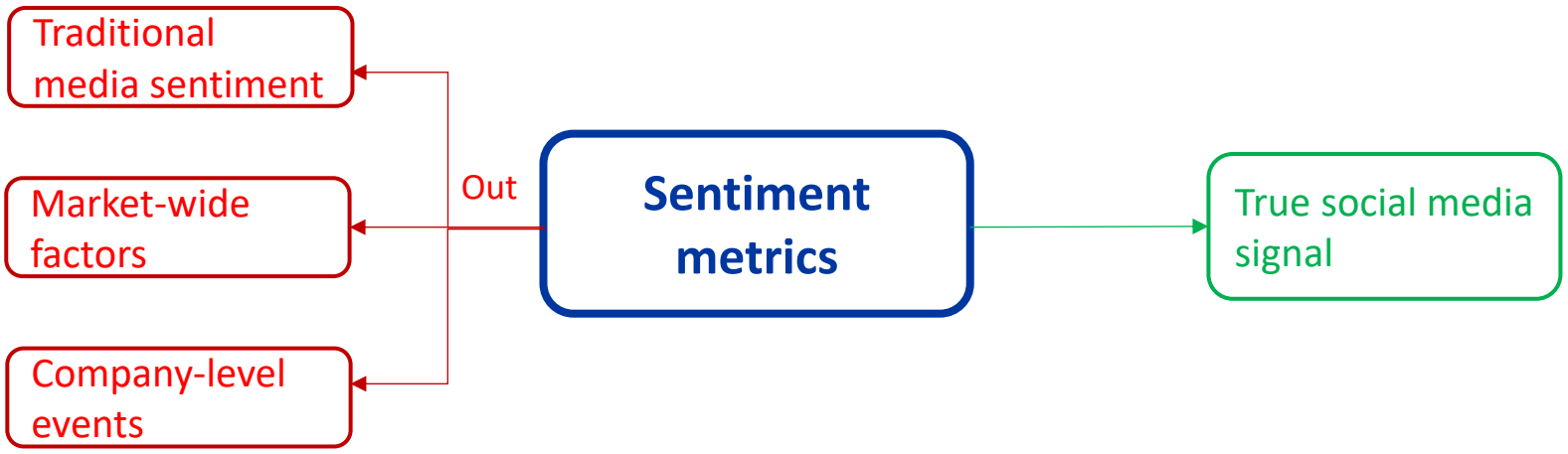


Disagreement
How divided opinions are

Identification of true social media sentiment

Publicly observable information moves sentiment mechanically and independently of genuine social media user beliefs

- Necessary to clean measures from confounding factors, to separate a real signal from noise



- Residual sentiment score: the component of social-media tone that cannot be explained by any information already in the public domain

Different platforms, different audience

Twitter/X: Real-time microblogging

- Audience: Broad public — journalists, institutional analysts, retail investors, financial influencers
- Content: 280-character posts, cashtags ($AAPL), hashtags, retweets, quote-tweets. Real-time breaking news

Reddit: Community-driven discussion forums

- Audience: Predominantly young retail investors. Key communities: r/wallstreetbets, r/investing, r/stocks
- Content: Long-form posts, threaded due diligence, memes Upvote/downvote crowdsourced ranking

Stocktwits: Finance-native microblogging platform

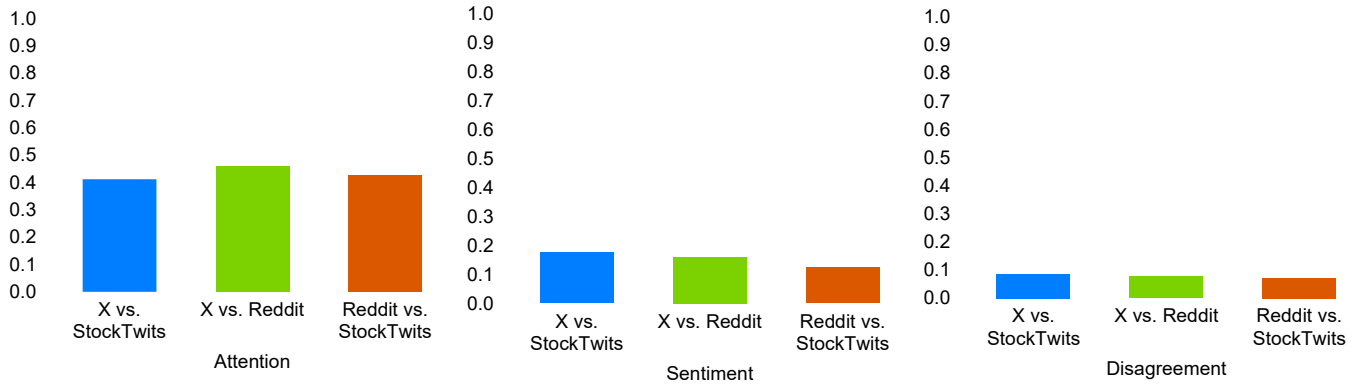
- Audience: Exclusively active traders and retail investors. Self-selecting, financially motivated user base
- Content: Short messages tagged by $TICKER. Native bullish/bearish labels selected by the poster. Finance-only

Social media signals across platforms

Users on different platforms discuss the same securities but disagree about them

- Overall, what investors notice (Attention) tends to move together across platforms.
- Given the platform's structure and user composition, the sentiment of authors might not align in the same way among platforms

Correlations: Stock popularity common across platforms while opinions diverge



Note: Bivariate correlations of raw firm-day signals between each of the social media platforms in our sample. Attention is the fraction of a platform's messages about a security on a given day; sentiment is the average sentiment of those messages; disagreement is their dispersion. The vertical scale is common across the three signals: attention correlates strongly across platforms, whereas sentiment and disagreement do not, which means investors on different platforms attend to the same securities but disagree about them.
Sources: Stockpulse, ESMA

Two investor outcomes

Realised returns

What investors earn: the gain/loss once they buy and then fully sell a stock

Example:
Buy 10 of AAPL @ EUR 100
Sell 10 of AAPL @ EUR 110
Realised return: +10%

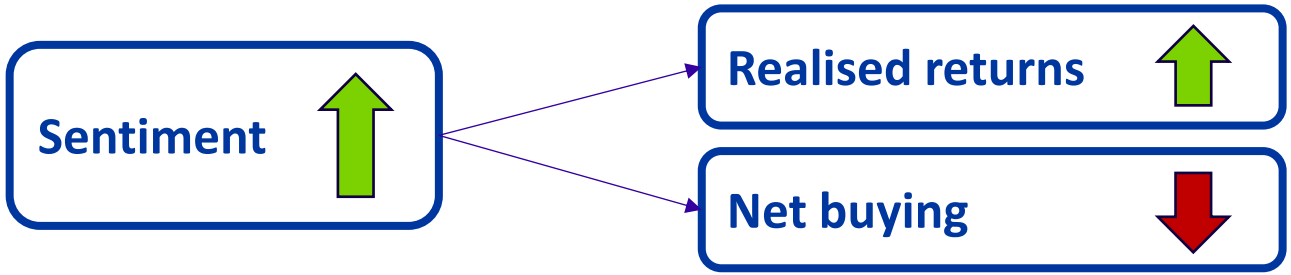
Net buy ratio

How investors trade: on a given day, do buyers or sellers of a stock dominate?



Finding 1

When sentiment is positive, investors sell

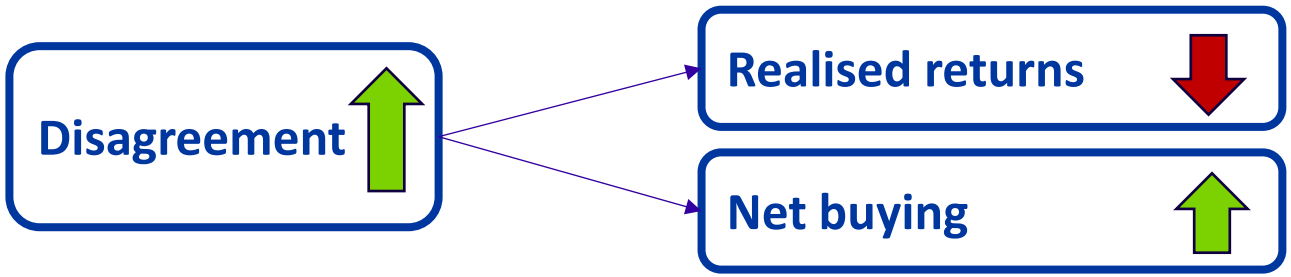


Social media sentiment measures significantly correlated with retail investors' realised returns and trading behaviour, consistently across platforms (in line with Cookson et al., 2024)

- Positive relationship between sentiment and realised returns
- Negative relationship between sentiment and net-buying. Two, not mutually exclusive, explanations may account for this:
  - Locking in gains: sentiment improves and prices climb, retail investors inclined to sell and realise gains rather than hold or buy more — though this risks mistiming the market and forgoing further upside (Odean, 1998)
  - Expectations of price improvement: improving sentiment as result from investors already holding a stock, expecting the price will continue to rise further; this continues to further generate positive sentiment among investors (Sui and Wang, 2025)

Finding 2

When opinions diverge investors buy more but lose when they sell

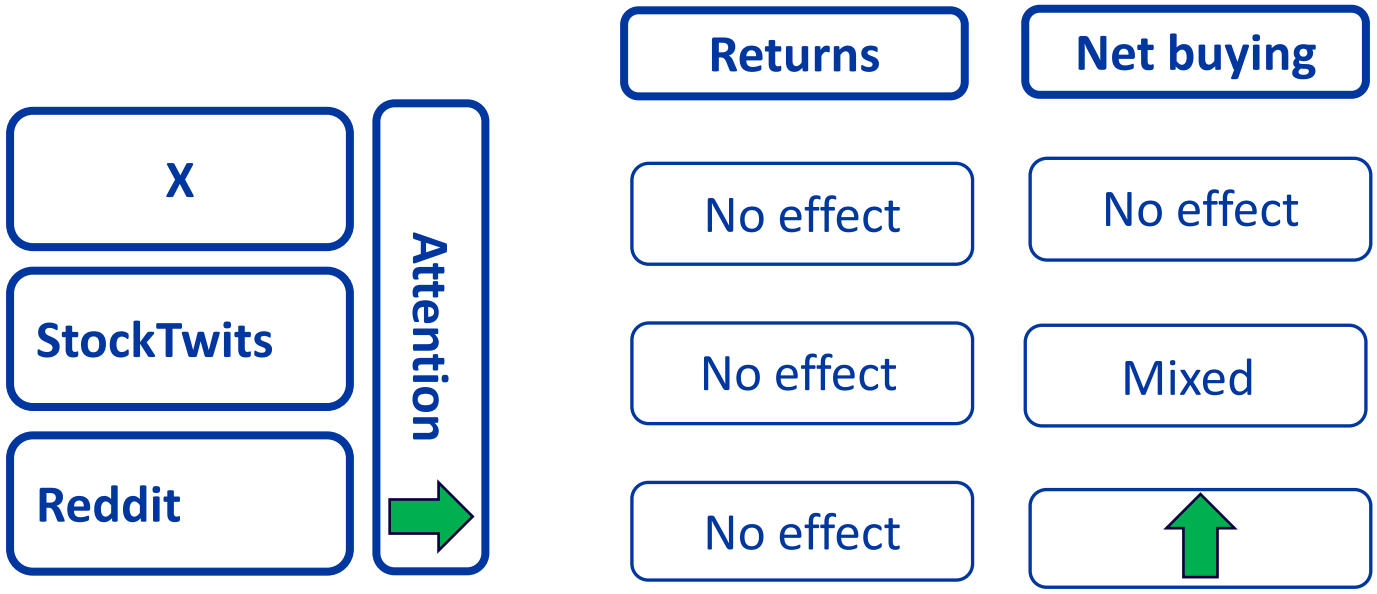


Increase in disagreement signals higher ambiguity.

- Wide variety of investors interpret the same information differently, dispersion in beliefs
- Stockholders refrain from selling, less-informed investors keep on buying
- Misleading information drives less savvy individuals toward the wrong investment and losses, reflected in more likely losses
- These results hold across platforms

Finding 3

Attention alone does not drive returns; it is a platform specific effect



Attention delivers mixed results

- No significant relationship between attention and retail investor trading
- Attention is not consistently associated with realised returns
- When platforms are considered individually, attention matters mainly for Reddit — plausibly reflecting its structure as a community-based platform with an upvoting/downvoting mechanism

Conclusion

Ultimately, understanding the social media signal is fundamental for investor protection

- Sentiment/disagreement on social media differentially predicts retail buying trading behaviour and returns
- Social media's growing role in financial markets not confined to the spread of misinformation, market abuse, and manipulation schemes
- It extends to a more direct channel of influence shaping retail investors' trading behaviour and related gains by:
  - channelling sentiment and attention,
  - by the speed at which information spreads, often faster than any policy response
- Also different types of investors might react differently to social media signals…
- … we will therefore continue to monitor developments and further explore the precise mechanism behind sentiment and net buying and selling

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Thank you