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The Impact of New Media Investor Sentiment on the Price Fluctuations of Domestic Stocks

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Abstract. With the deep integration of new media into the capital market, stock forums and financial forums have become important channels for individual investors to obtain information and exchange views. The impact of new media investor sentiment on stock price fluctuations has also become an important research topic in behavioral finance. Retail investors hold a significant proportion in the A-share market, making individual investors easily influenced by public sentiment. Abnormal stock price fluctuations induced by public sentiment pose a real challenge to market stability. This paper systematically reviews existing research, defines the core concepts of new media investor sentiment, investor emotions, and individual stock price fluctuations, and, based on theories of bounded rationality, herding effect, and noise trading, summarizes the transmission mechanism of "information diffusion — emotional mediation — feedback amplification." According to the research results in the existing literature, it can be seen that new media sentiment is significantly positively correlated with short-term stock price fluctuations, with its impact being timely, asymmetric, and showing significant differences across different industries and enterprises with varying levels of attention. This paper constructs a complete analytical framework, which can provide a theoretical reference for subsequent academic research, investor decision-making, and capital market risk regulation.

Keywords: New Media Investor Sentiment, Individual Stock Price Volatility, Behavioral Finance, Mechanism of Action, Heterogeneous Characteristics

1. Introduction

In recent years, new media on the Internet has rapidly penetrated the capital market, with stock forums, financial forums, short videos, and other social platforms gradually becoming the main channels for ordinary investors to obtain stock market information and exchange investment opinions. Compared with traditional financial news and official announcements from listed companies, information on new media platforms is more timely, spreads faster, and reaches a wider audience. Individual opinions, emotions, and discussion intensity that were originally scattered can quickly converge in a short period of time, forming a public opinion force with market influence. According to public data from the China Securities Depository and Clearing Corporation, by the end of 2025, individual investor accounts in China's A-share market accounted for 99.76%, with the total number of investors exceeding 250 million, among which over 95% are small and medium

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individual investors, and more than 90% of individual investors have funds below 500,000 yuan. Most individual investors are not professionals, have limited ability to discern information, and their trading decisions are easily influenced by online public opinion and emotional interference, showing obvious irrational characteristics. Traditional finance rests on the efficient market hypothesis. Prices, in that account, are set by rational factors alone, whether a company's fundamentals or the state of the macroeconomy, which makes opinion-driven price anomalies hard to explain. Behavioral finance opened up other possibilities. Bounded rationality, herding and noise trading gradually supplied frameworks that could account for such anomalies, and the need to define concepts precisely, among them new media investor sentiment, investor emotion and individual stock price fluctuation, became a basis for research in the field.

This paper takes the effect of new media investor sentiment on individual stock price fluctuation as its research question, and builds an analytical framework through a systematic review of the domestic literature. It first sorts out the meaning and boundaries of three concepts: new media investor opinion, investor sentiment, and individual stock price fluctuation. It then sets out the core logic of bounded rationality theory, the herding effect and noise trading theory in behavioral finance, which supports the analysis that follows. On that basis, it summarizes a three-tier progressive mechanism of "information diffusion—emotional mediation—feedback amplification" and traces the complete route by which opinion travels from the platform to the stock price. The paper also gathers the conclusions on which existing empirical studies converge, and examines how the effects vary with industry attributes, with the attention a company attracts, and with the nature of the opinion. It closes by noting the limits of current research in sample coverage and measurement and by pointing to directions worth pursuing.

The study has value for both theory and practice. Where theory is concerned, earlier work sits scattered across finance and communication. Bringing those strands together, and building from concepts and theory through to mechanism and evidence, makes the core logic of how new media opinion moves stock prices much clearer; researchers who follow can start from a clear literature base and a workable analytical perspective, and behavioral finance gains applied research set in the new media market. In practical terms, the conclusions offer something to each group in the market. Individual investors can use them to see the patterns behind opinion-driven volatility, to read short-term movements more coolly, and to refine their trading decisions. Listed companies, faced with sentiment that reacts differently from one situation to the next, can build response systems suited to those differences, which helps their market value management and investor relations. Regulators can likewise draw on the findings to set up an early-warning mechanism for opinion risk, curb irrational fluctuations and keep the capital market running steadily.

2. The mechanism by which new media public opinion affects individual stock price fluctuations

In the fixed impression of many people, generally speaking, the rise and fall of stock prices are only linked to fundamental factors such as company performance and industry policies. However, in the actual environment of the A-share market, discussions, rumors, and sentiments on new media can also have a considerable impact on the movement of individual stocks. This impact is not a direct effect where stock prices immediately change as soon as public opinion emerges; rather, it is gradually realized through multiple stages such as information dissemination, emotional transmission, and transaction conversion. Overall, the academic community generally summarizes this conduction process into a three-tier progressive mechanism of information diffusion, emotional mediation, and feedback amplification, which comprehensively covers the entire course of public

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opinion from its emergence on platforms, transmission to the trading market, and then the reinforcement of public opinion through stock price fluctuations. The impact of new media public opinion on individual stock price fluctuations is not direct, but is gradually realized through multiple transmission pathways. Overall, it can be summarized into a three-tier progressive mechanism of information diffusion, emotional mediation, and feedback amplification, fully covering the entire process from the generation of public opinion on platforms, its transmission to the trading market, and the reinforcing of public opinion through stock price changes.

2.1. Information diffusion mechanism: the transmission of public opinion from platforms to the market

Information dissemination is the initial link of the entire influence chain, with the core being the transmission of public opinion content from new media platforms to the securities market. Under the traditional information dissemination model, the operational dynamics of listed companies and changes in industry policies are mainly released through official announcements and formal channels such as printed financial newspapers. Ordinary retail investors face a significant time lag in accessing this information, and much detailed information is difficult to reach. Coupled with the transitional nature and emerging dual characteristics of China's securities market, the problem of information asymmetry is particularly prominent, greatly reducing market efficiency. Often, by the time individual investors receive the information, the stock price has already shown the corresponding increase or decrease, and investors can only follow passively, making it difficult to make decisions in advance based on information gaps. The emergence of new media channels such as stock forums, financial forums, social platforms, and short-video financial accounts has completely restructured the dissemination logic of securities information. Relying on functions such as posting, commenting, and sharing, ordinary investors can also become publishers and disseminators of information. Whether it is company operational updates, industry news, or personal trading opinions, they can achieve wide-ranging and efficient dissemination in a short period of time [1]. Xu Lin also pointed out that online public opinion has broadened the channels for the transmission of market information. Dispersed individual investors can quickly converge for discussion on the same platform, generating considerable discussion momentum and allowing more retail investors to access market dynamics in a timely manner [2]. This diffusion effect has a dual nature: on the positive side, it breaks the information monopoly of traditional channels, enhances overall market information transparency, and provides retail investors with additional decision-making references; on the other hand, due to the low information threshold of new media platforms, a large amount of unverified false information, one-sided interpretations, and even malicious rumors can spread quickly through traffic, which can easily mislead investors and lay hidden risks for subsequent abnormal stock price fluctuations.

2.2. Emotional mediation mechanism: the transformation of public opinion into trading behavior

Emotional mediation is the core link through which public opinion affects stock prices, enabling the transformation of public opinion content into actual trading behavior. Public opinion content does not directly change stock prices; it first affects investors' psychological expectations and emotional states, which then drive buying and selling decisions, ultimately leading to stock price fluctuations by altering the supply and demand of stocks. Zhang Xin believes that investor sentiment is essentially the trading tendency formed by individuals based on market information: positive public

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opinion will enhance investors' optimistic expectations and strengthen their willingness to buy; negative public opinion, on the other hand, will trigger pessimistic emotions and drive selling behavior. From the perspective of behavioral finance, this phenomenon of emotion-driven decision-making has its underlying logic [3]. In reality, investors cannot achieve the fully rational state assumed by traditional theories and are generally influenced by psychological patterns such as loss aversion and cognitive biases. The pain caused by losses of the same amount is far stronger than the pleasure brought by gains, making investors more prone to panic when faced with negative information and to make irrational trading decisions, and it is very difficult for them to make entirely objective judgments on each piece of public opinion information [4]. When a single emotion continues to spread in the market and forms a consensus, the aligned trading by a large number of investors can alter the supply and demand relationship of individual stocks, driving their prices up or down. In the A-share market, where retail investors account for a relatively high proportion, this characteristic is particularly prominent: as of the first quarter of 2025, retail investors contributed about 70% of the trading volume, making them the dominant group in the market. Most individual investors lack a complete professional valuation system, and their trading decisions are more easily influenced by emotions, so the effect of emotion-driven herding trades is further amplified.

2.3. Feedback amplification mechanism: stock price fluctuations reacting on public opinion

The feedback amplification mechanism reflects the bidirectional relationship between stock prices and public opinion, namely that stock price fluctuations can in turn stimulate public discussion, forming a cyclical amplification effect. Public opinion does not affect a stock price once and then stop. After a large move, more investors take to new media to talk about the stock, and their talk adds fresh viewpoints and fresh feeling. When the price is climbing, the profit in sight draws out more cheerful comments, and optimism in the market grows. When it is falling, losses do the reverse: negative emotion keeps spilling out, pessimistic discussion multiplies, and panic comes with it. The herd effect lends all of this more force. The cycle runs in both directions, volatility keeps swelling, and what takes shape is a loop of "public opinion—emotion—stock price—public opinion" [4].

Take an upward market. A piece of good news appears, a handful of investors buy, and the price edges up. That small gain reads as proof the news was right, so more people who had been watching step in and buy. Their orders lift the price again, more positive discussion follows, and the next group arrives. Run this through a few rounds and the swings can far exceed whatever the information itself ought to justify, sometimes drifting away from fundamental value, so the rise turns irrational.

Cases of this kind are easy to find in the market. Jin Jian Rice Industry climbed 125.55% in cumulative terms over 12 trading days, and the company stated plainly in an announcement that its share price had moved well away from fundamentals and carried a risk of irrational speculation. Yuanda Holdings posted an abnormal move of 22.04% across three consecutive days, and the company confirmed that no major change in fundamentals affecting the share price had taken place.

The downward side follows the same logic. Bad sentiment sets off selling, the price falls, the pessimistic expectation looks confirmed, and still more investors sell. What can follow is overselling, and because emotion travels and gets amplified in media coverage, the overselling can stretch further still.

Taken as a whole, the three tiers move in sequence and are tightly bound to one another. Information diffusion comes first; it is what lets opinion reach a market large enough to matter. Emotional mediation is the core, the point at which a public view becomes an actual trade. Feedback

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amplification extends the process, driving price and opinion into two-way contact until volatility is magnified. Together the three make up the full pathway by which new media opinion reaches individual stock prices.

3. Conclusions of existing empirical studies and analysis of heterogeneity

Existing research on investor sentiment in new media and individual stock price fluctuations has already formed a relatively mature empirical research paradigm. Scholars use text quantification techniques to transform unstructured public opinion content into computable indicators, and combine them with econometric models to examine the causal relationships and transmission paths between the two, thereby deriving consensus-based core conclusions and verifying the differentiated characteristics of the impact effects from multiple dimensions.

3.1. Mainstream approaches to empirical measurement and research design

Quantifying and transforming online public opinion is the fundamental premise for conducting empirical research in this field, and it is also the core aspect of the technical approach within the domain. Ding Cheng, in a study based on the China Securities Index sample, established a complete system for the construction and empirical testing of public opinion indices, thereby setting a general research paradigm in this field of 'text quantification — model validation — factor testing' [5].

In terms of constructing public opinion indicators, this study selected the period from December 1, 2018, to October 31, 2021, as the sample interval. It used 1,885 A-share stocks from the constituents of the CSI 100 and CSI 800 as the research sample, and collected stock-related public opinion news from four major platforms: online media, traditional media, Tencent News, and WeChat official accounts as the original corpus. The study relies on sentiment analysis technology in the field of natural language processing, and identifies and scores the sentiment orientation of each news text by combining a financial domain-specific sentiment dictionary with the BERT deep model. Ultimately, the daily public opinion score is obtained by aggregating it for individual stocks, achieving the transformation of unstructured public opinion content into computable quantitative indicators.

At the research design level, this study conducts empirical tests using both a fixed-effects panel regression model and a panel vector autoregression (PVAR) model. To control for endogenous disturbances, the study included individual stock fundamental variables such as turnover rate, price-to-earnings ratio, price-to-book ratio, price-to-sales ratio, and company market capitalization, as well as macroeconomic factors such as gross domestic product, money supply, and business climate index as control variables. The Hausman test was used to ultimately determine the use of a fixed effects model to respectively examine the correlation and causal relationship between public sentiment and stock price fluctuations. Ding Cheng clearly pointed out in the regression results: 'The coefficients for the leading financial sentiment scores are all positive, and they have a significantly positive correlation with both the current and lagged one-period stock price changes. This indicates that financial sentiment is positively correlated with the daily and next-day stock price fluctuations, meaning that positive sentiment tends to promote stock price increases, whereas non-positive news reports lead to stock price declines. 'Additionally, the study also introduces the commonly used ICIR analysis method and layered backtesting method in the field of quantitative investment, verifying the stock selection capability of sentiment indicators from the perspective of factor effectiveness, and confirming that sentiment factors possess a certain independent stock selection value in practical quantitative trading scenarios, thereby providing practical support to complement the empirical

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conclusions. Overall, the research approach established by Ding Cheng, namely 'constructing public opinion indicators through text sentiment analysis — validating correlations using panel models — conducting robustness tests with multiple methods,' has been adopted by the majority of subsequent empirical studies and has become the common research paradigm in this field [5]. Some studies have also constructed sentiment proxy variables based on market trading characteristics, combining methods such as the CKK model and threshold regression to expand the research perspective, further enriching the empirical approaches in this field [6, 7].

3.2. Core empirical conclusions on the impact of public opinion on stock price fluctuations

Existing empirical studies have systematically validated the significant impact of new media public opinion on individual stock prices from both the perspectives of regular fluctuations and extreme fluctuations, resulting in a relatively unified core conclusion.

3.2.1. Positive correlation and temporal characteristics under normal fluctuations

Empirical results from Ding Cheng show that financial public opinion scores are significantly positively correlated with both the current and lagged stock price changes of individual stocks. Regression data from a fixed-effects model indicate that 'the coefficients of financial public opinion scores are all positive and have significant positive effects on both current and lagged stock price changes,' meaning that positive public opinion tends to drive stock prices up, while negative public opinion can trigger stock price declines. This result remains robust even after controlling for fundamental and macroeconomic factors [5]. At the same time, the significance of the model's regression decreases rapidly as the lag period increases, and after two lag periods, the impact of public opinion on stock prices is no longer significant; combined with impulse response analysis, the influence of public opinion shocks reaches its peak on the first trading day after release and then decays rapidly, demonstrating that the effect of public opinion on stock prices is highly time-sensitive.

Xue Kaiyang, based on research on the constituents of the CSI 300, further improved the verification of transmission pathways and dynamic characteristics. The study also confirmed the significant positive effect of active online public opinion on stock returns. The baseline regression results show that the regression coefficient of the online public opinion variable is 0.281 and is significant at the 1% level, indicating that 'when positive evaluations on both news platforms and stock forums increase, their impact on stock returns will be amplified' [8]. At the same time, the study clarifies the transmission role of investor sentiment through a mediating effect model — online public opinion first alters investors' psychological expectations and emotional states, which then drives trading behavior through emotions, ultimately affecting stock returns. Regarding dynamic effects, the study uses the TVP-VAR model to find that public opinion from different sources exhibits differentiated lagged paths: financial news public opinion shows a negative impact on the first trading day and turns positive on the second trading day; comments in stock forums, however, produce a positive effect on the same day and a corrective negative effect on the following day. In both cases, the impact of public opinion essentially disappears after five trading days, further confirming the short-term nature of public opinion's influence.

Peng Qing, based on data from A-share listed companies from 2019 to 2022, further verified the positive correlation between sentiment and returns, while also finding that the relationship between the two is not simply linear: whether it is optimistic or pessimistic sentiment, the impact on stock returns exhibits an inverted U-shaped pattern — in the early stages of sentiment, returns increase

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with the intensity of sentiment; once sentiment intensity exceeds a certain threshold, excessive irrational trading may instead cause returns to decline [6]. This conclusion supplements the nonlinear characteristics of public opinion influence, indicating that the effect of emotions on stock prices has boundary effects. From the perspective of collective behavior, Ouyang Mengqian also provides evidence for the transmission logic through the test results of the CKK model: when market sentiment is relatively positive, investors are more likely to abandon independent judgment and engage in herding behavior of trading in the same direction, thereby amplifying the effect of public opinion on stock prices. A grouping test measuring sentiment levels by turnover rate shows that the degree of herding behavior in the high-sentiment group is significantly higher than that in the low-sentiment group, confirming the transmission chain of sentiment diffusion and convergence in collective behavior [9].

3.2.2. Risk amplification effects under extreme fluctuations

Apart from daily fluctuations, the impact of public opinion on extreme stock price volatility has also been specifically verified. Tian Mingtian, using iFlytek as a research case, focuses on the extreme volatility pattern of stock price crash risk. By crawling stock forum texts, he constructed investor sentiment indicators to empirically examine the relationship between sentiment and crash risk. The study confirmed that "negative investor sentiment leads to an increase in stock price crash risk." When pessimistic public opinion accumulates persistently and is released intensively in the market, it can easily trigger concentrated selling behavior among investors, pushing individual stocks to experience significant declines in a short period, and even triggering crash-like market conditions [7]. The study also points out that investors' heterogeneous beliefs and stock liquidity play moderating and mediating roles in this context: the greater the divergence of investors' opinions, the lower the probability of extreme declines in stock prices. Negative emotions can increase the risk of a crash by reducing stock liquidity, creating a chain reaction of 'worsening emotions — shrinking liquidity — plummeting stock prices'.This conclusion expands the boundaries of the impact of public opinion, proving that public opinion not only affects regular price fluctuations but also exacerbates the risk of extreme volatility in individual stocks.

3.3. Heterogeneous manifestations of impact effects

The impact of new media public opinion on stock prices is not fixed; rather, it exhibits significant differences depending on industry attributes, company characteristics, and the nature of public opinion. Existing research has primarily revealed this heterogeneous feature from the dimensions of industry and company.

3.3.1. Differential impact from the industry dimension

The market characteristics and pricing logic of different industries vary, resulting in a significant divergence in individual stocks' sensitivity to public opinion. Hao Zehua, in a study using listed companies in the new energy vehicle industry chain as a sample, found that this industry is characterized by policy-driven initiatives, rapid technological iterations, and strong market expectations. Investors pay close attention to industry news and individual stock developments; therefore, the impact of online public opinion fluctuations on the stock prices of companies within the industry chain is significantly higher than the market average. At the same time, public opinion information will be transmitted along the upstream and downstream of the industrial chain, and the

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individual stocks in the upstream raw materials, midstream manufacturing, and downstream consumption sectors will form linked fluctuations, further amplifying the overall impact of public opinion [10].

Sun Tianqi researched the online video industry, presenting characteristics that distinguish this industry from other sectors: as a media industry targeting end consumers, the brand reputation, user reviews, and product public opinion of listed companies directly influence public expectations, which in turn affect stock price performance [11]. Compared with traditional industries such as manufacturing, these light-asset, highly flexible consumer stocks respond more quickly to public opinion, and the reputational discount triggered by negative sentiment is rapidly reflected in their stock prices. Moreover, the fermentation cycle of public opinion is shorter, resulting in more intense short-term fluctuations.

Xue Kaiyang verified this difference at the level of broad industrial categories. The grouped regression results show that "the network public opinion coefficient for tertiary industry enterprises is 0.273, significant at the 1% level, whereas the coefficient for secondary industry enterprises is only 0.160, significant only at the 10% level," indicating a clear disparity in the intensity of impact between the two. This mainly stems from the market characteristics of the tertiary industry, which is asset-light and has a higher proportion of retail investors, making it easier for public opinion information to be transmitted to stock prices through herd behavior. In contrast, the secondary industry has a higher proportion of institutional holdings and pricing relies more on fundamental indicators, resulting in relatively weaker transmission efficiency of public opinion shocks [8].

3.3.2. Heterogeneous characteristics of companies and public opinion nature

In addition to industry differences, the company's own market visibility can also affect the intensity of public opinion. Xue Kaiyang found through group tests that the public opinion shock effect on highly followed listed companies is significantly stronger than that on low-followed companies. This is because information from highly followed companies spreads more quickly, involves a larger number of participating investors, and is more likely to form collective consensus and herding behavior, thereby driving larger fluctuations in stock prices [8]. At the same time, existing research generally confirms the asymmetry of public opinion effects: under the same intensity, negative public opinion has a stronger impact on stock prices than the boosting effect of positive public opinion. Investors, influenced by loss aversion, are more sensitive to negative information. Panic selling triggered by adverse public opinion often leads to excessive declines in stock prices, whereas the optimism brought by positive public opinion is relatively mild. This asymmetrical characteristic is particularly pronounced in stocks with a higher proportion of retail investors.

Peng Qing's heterogeneity analysis further expands the research conclusions of this dimension. At the level of equity nature, the impact of optimistic sentiment and emotional alienation on the stock returns of state-owned enterprises is stronger than that on non-state-owned enterprises, whereas pessimistic sentiment has a more significant effect on non-state-owned enterprises. This difference arises from investors' stronger expectation of credit endorsement for state-owned enterprises, making them more inclined to allocate capital to state-owned targets under optimistic sentiment and more likely to sell non-state-owned stocks to avoid risk under pessimistic sentiment. At the enterprise scale level, the impact of pessimistic sentiment on the earnings of small-scale enterprises is significantly weaker than that on large-scale enterprises, while the influence intensity of optimistic sentiment and emotional alienation does not show significant differences among enterprises of different scales, indicating that the transmission of negative emotions is more easily moderated by enterprise size and market attention. In addition, the macroeconomic environment is also an

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important moderating factor. The study found that during periods of higher macroeconomic prosperity, the effects of optimistic sentiment, pessimistic sentiment, and emotional alienation on stock returns are all stronger. Economic cycles can significantly modulate the strength of the relationship between emotions and stock prices by altering investors' risk preferences and expectations [6].

Overall, existing empirical studies have formed a relatively complete research chain, ranging from indicator construction, causal relationships, and transmission paths to heterogeneous characteristics. They not only confirm the significant impact of new media public opinion on individual stock price fluctuations but also reveal the boundaries and differences of the influencing effects, providing abundant empirical evidence for understanding information transmission and irrational fluctuations in the capital market.

4. Conclusion and outlook

This article focuses on the impact of new media investor sentiment on individual stock price fluctuations, systematically reviewing the core concepts, theoretical foundations, mechanisms, and empirical research findings in this field. Research shows that theories such as bounded rationality, prospect theory, herd behavior, and noise trading within the framework of behavioral finance are core supports for explaining abnormal stock price fluctuations driven by public opinion, compensating for the explanatory limitations of the traditional efficient market hypothesis. The impact of new media public opinion on stock prices is realized through a three-layer progressive mechanism of information diffusion, emotional mediation, and feedback amplification, forming a complete transmission path from platform dissemination to trading conversion and then to bidirectional reinforcement. Existing empirical studies have generally confirmed that public sentiment tendencies are significantly positively correlated with the short-term returns of individual stocks, and the impact is highly time-sensitive. The sustained accumulation of negative emotions can also significantly increase the risk of stock price crashes. The effect is also uneven across several dimensions. Industry characteristics, the attention a company draws in the market, and whether the sentiment around it is positive or negative all pull the outcome in different directions. The analytical framework set out here can serve as a theoretical reference for three kinds of use: sharpening investor decisions, managing the market value of listed companies, and keeping risk in the capital market under control.

Work in this field still carries a number of gaps. Empirical samples lean heavily on the constituent stocks of the main Shanghai and Shenzhen indices, and small-cap shares, low-profile firms, and niche industries are thinly represented. Opinion indicators are usually built around sentiment, while communication breadth, interaction depth, and information credibility get far less attention. Most studies look only at short-term effects and say little about how opinion plays out over a longer horizon or along the deeper routes by which it travels. Endogeneity is another problem that has not been fully worked through.

Four lines of work would move the field forward. Wider samples and finer settings would let the conclusions hold in more situations. Multidimensional features could be folded into a composite opinion index that covers more ground. A longer observation window would show how opinion shapes stock prices over time. The fourth is a matter of design: quasi-natural experiments and large language models raise the odds of sharper causal identification and better text analysis.

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