Leeds University Business School - Research and Innovation Podcast

Episode: How social media influencers can affect the stock market

Speakers: Addi Manolopoulou, Dr Costas Lambrinoudakis and Elliot (Zhengfa) Zhang

[00:00:00]

[00:00:05] **Addi:** Hello and welcome to the Research and Innovation Podcast. My name is Addi Manolopoulou and I am the accounting and finance department manager here at Leeds University Business School. I am delighted today to be joined by Costas Lambrinoudakis and Elliot Zhang.

[00:00:24] **Costas:** Hello everyone. I am Costas Lambrinoudakis. I'm an assistant professor of finance at the Accounting and Finance Department and member of the International Banking Institute here at Leeds University Business School.

[00:00:37] **Elliot:** Hi everyone. I'm Dr Zhengfa Zhang, postgraduate researcher and member of the Centre for Advanced Studies in Finance at Leeds University Business School.

[00:00:48] **Addi:** Thank you both. It is an honour to be here with you today. So what are we going to talk about?

[00:00:55] **Costas:** First of all, Addi, thank you very much for the opportunity that you're giving us to discuss our research.

So today, we will be talking about one of our recent research papers. This paper looks into whether social media influencers can affect stock prices and trading activity with their posts. This project was a collaboration with my colleagues from the International Banking Institute at Leeds University Business School - Professor Kevin Keasey, Associate Professor Danilo Mascia, Dr Zhengfa Zhang and myself. The title of the paper is "The Impact of Social Media Influencers on the Financial Market Performance of Firms", and it was published in European Financial Management in March 2025.

[00:01:42] **Addi:** That sounds really exciting Costas. What was your motivation to do this kind of research?

[00:01:50] **Costas:** Well, you've probably seen the headlines about celebrities like Rihanna or Kylie Jenner causing stock prices to spike or drop with their posts.

And I mean, Rihanna is a famous pop singer, right? And Kylie Jenner is a model and a social media star. Neither of them has any expertise in investments. Yet their influence on stock prices was undeniable in a few incidents. For example, Snap - the parent company of Snapchat, right? So this, this company saw its shares fall after Rhianna criticised it on Instagram over some offensive content about domestic violence. And this was actually reported by the Financial Times.

Another example is the mattress-maker Casper. So Casper is a US publicly traded company, which had been praised online by Kylie Jenner. It officially warned investors about the power of influencers

to affect its stock prices as also reported by the Financial Times, and actually fears are rising that this influence could be abused.

Kylie's Jenner's half-sister and fellow Instagram influencer, Kim Kardashian, was fined $1.26 million by the US Securities and Exchange Commission. And the reason? She did not disclose that she was paid to promote a cryptocurrency onto her huge Instagram following.

So these stories caught our attention and we wanted to explore if this was just a few isolated incidents or if social media influencers regularly have the power to influence stock prices. We wanted to see if their posts really shape investor behaviour and stock market movements.

[00:03:38] **Addi:** Wow. It's crazy to think that a single post, just a few words or a picture can cause such ripples in the stock market. You said you wanted to test if social media influences regularly have the power to influence stock markets and prices.

How did you ensure that your data dataset was representative enough? I mean, what kind of data did you use?

[00:04:03] **Elliot:** Yes, that is a great question Addi. So this was actually one of our biggest challenges we faced, but it eventually became one of the novelties of our project. We focused on Instagram, which is the go-to platform for most influencers.

We collected posts from all English-speaking mega influencers - those with at least 1 million followers, spanning 11 years. That is a massive data set because it contains 16 million posts from nearly 6,000 influencers.

We then analyzed those posts to find the ones related to publicly listed companies in the United States. After cleaning up the data, we ended up with nearly 400,000 posts from 4,500 influencers, all about 550 firms. This data set is the first of its kind to be used in academic finance research.

Then we looked at what happened in the stock market right after this post went live. Did they affect investors' attention or did they impact stock prices, trading volumes, or price volatility?

[00:05:21] **Addi:** Wow. Elliot, it feels like you've opened the door to a whole new way of thinking about investor behaviour. What did you discover?

[00:05:35] **Costas:** We found that mega influencers with at least a million followers can definitely impact investor attention, trading volumes, and price volatility. Shortly after a post about the firm goes live, we observed an increase in investor sentiment that is more people reading news about the firm, a rise in the number of shares traded - that is the number of the company shares being exchanged [00:06:00] between investors - and greater price volatility. And all these observations over these findings prevail even after accounting for typical market factors that could drive these effects.

And more importantly, for the really big influencers, those with tens of millions of followers, we saw that their posts could temporarily push a company's stock price up or down. Although these changes did not last long.

And we also found that the broader the post's reach and the stronger its tone - whether positive or negative - the greater its impact. What's interesting is that this isn't just happening in a couple of high-profile cases, like those that have reached the financial media, for example. It is part of a broader trend where influencers' endorsements or criticisms of companies on Instagram can actually shape investor decisions and influence stock performance in the short-term.

[00:06:58] **Addi:** Costa - the short-term effect, it makes sense, but it's really interesting how even temporary shifts matter, especially when multiplied across thousands of investors. So what does this show that we didn't know before?

[00:07:03] **Costas:** Well, we already knew that influencers have grown in importance for marketing. However, no one's really looked at how much they can impact financial markets until now. Previous studies focused on users of smaller, niche social media platforms for investors.

Our paper is the first to examine how influencers on a mainstream broad platform like Instagram can affect financial markets.

[00:07:31] **Addi:** So why are these findings significant? Who might be interested?

[00:07:36] **Elliot:** These findings are quite important because they reveal a new factor in the financial markets, which is digital personalities.

Even though they don't have expertise in investing, influencers can shape investors' decision and influence the stock valuations. This means investors, financial analysts, and even corporate executives need to start paying attention to influencers' activities. It's also some something regulators need to consider, especially when it comes to the potential for influencers to misuse their power, to manipulate the stock prices.

[00:08:17] **Addi:** What is the main takeaway?

[00:08:32] **Costas:** Well, I think the big takeaway here is that in today's world, social media influencers have a significant impact, not just on consumers, but also on investors in financial markets. Even though their influence might be short-lived, they can drive changes in stock prices through their content.

And this highlights the need for investors, companies, and maybe regulators to stay aware of what influences are doing and understand the potential consequences. And it's also a reminder for all of us, I mean a reminder of the growing power influencers have and how their actions can affect all of us.

[00:09:05] **Addi:** Absolutely. That that is a very powerful idea. What do you hope to achieve by promoting this message?

[00:09:09] **Elliot:** Yes. By promoting this message, we hope to raise awareness of this new dynamic in the market. We want to encourage more informed investment strategies, better corporate responses, and possibly even new regulations.

If people are more aware of the impact of digital influencers, it could lead to better risk management and more adaptive strategies in the financial world.

[00:09:35] **Addi:** Did you have any unexpected discoveries during the research process?

[00:09:50] **Costas:** Actually, yes, I do have something that stood out for me. When we were starting the project, we did a lot of research on how influencers [00:10:00] work.

So at some point I was really shocked by how much money these mega influencers can make from a single post. Sometimes even tens of thousands of dollars. Can you imagine that? I mean, writing three or four lines of text, then upload it and getting 40 or $50,000. Sounds great, doesn't it? So, you know, this make me think, am I in the right profession? Should I start considering, I don't know, switching careers? I don't know.

[00:10:20] **Addi:** You clearly have the data skills, Costa and the storytelling. All you need is a ring light and a catchy handle.

[00:10:42] **Costas:** Okay, I'll consider that.

[00:10:29] **Addi:** Are you considering on expanding this project? Is there anything else in the pipeline? Knowing you, I think the answer is yes. Go on.

[00:10:39] **Costas:** Uh, yes. Your guess was correct. Definitely yes. I mean, personally, I find this area of research fascinating and I'm really excited to continue exploring it. I mean, social media and its connection to financial markets is so relevant today. And there is still so much to learn about how these platforms impact our lives.

So the answer is definitely yes. And actually in our next project, we are using again the powerful dataset we have developed, but this time we're asking a different question. So we are hoping to answer even more questions about how social networks affect investors and their decision making. I would like to say more things about this project, but I'm afraid I can't. I can't reveal all the details yet. It's still work in progress, but what I can tell you is that we are focusing on social connectedness. So stay tuned. There is definitely more to come.

[00:11:49] **Addi:** That sounds incredible. We can't wait to hear more about this. I have a question. One final question for both of you, what is the most surprising thing you learn about influencer culture while doing this research? Apart from the salaries, obviously.

[00:12:49] **Costas:** I mean, even before I started doing research on influencers, I knew that they have great power in affecting people. But you know, I was thinking that that pertains to small groups of people or, you know, groups with certain characteristics. But no, I mean, their effect can affect broad parts of the population - different sorts of people. So, yeah. Long story short, I hadn't realized that they have so much power.

[00:12:42] **Addi:** Hmm. Very good. So, lots of influence. Much bigger than the title.

[00:12:47] **Costas:** And this is, you know, besides financial markets and besides investors, this is something that we should all be aware of.

[00:12:56] **Addi:** Very good. Thank you Costa. Elliot, do you agree with that? Or would you like to add something?

[00:13:01] **Elliot:** Yeah, totally agree. And actually for me, before I did this project, I thought the influencers' impact will be more significant for common users. So when we first did this project, we wanted to find some patterns from the customer side or the consumers, if they have any reactions to the related firms.

But then we surprisingly found that the investors also could be impacted by them, although they are not, maybe not their targeted audience. But yeah, we were shocked. There are so many noise traders on the market and trading based on the influencers' postings.

[00:13:47] **Addi:** That's all very true Elliot. We can't wait to see what comes out next. We look forward to your work. Thank you both very much for joining me today and all the best.

[00:14:00] **Costas:** Thank you. Thank you very much, Addi. Thank you. All the best too.