

The Impact of Negative Public Sentiment on Stock Price Volatility: A Case Study of Qiaqia Food

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Abstract

In the digital economy era, the deep integration of digital technologies and social media has enabled negative public sentiment to break through spatiotemporal constraints, with its dissemination speed and impact scope expanding exponentially. Its diffusion intensifies market information asymmetry, triggers short-term violent fluctuations in stock prices, and has become a critical risk variable affecting the stable operation of the capital market. Previous traditional studies have mostly relied on linear assumptions to investigate the relationship between negative public sentiment and stock prices, failing to fully reveal the complex dynamics potentially induced by investors' irrational behavior. To address this gap, this study takes Qiaqia Food Co., Ltd., a representative enterprise in China's food industry, as the research object. Through manually collected data and empirical analysis methods, it innovatively constructs a quadratic polynomial regression model to deeply explore the nonlinear mechanism by which negative public sentiment affects stock price volatility and to empirically examine the moderating role of media authority attributes. The following conclusions are drawn: there exists a significant inverted U-shaped relationship between the intensity of public sentiment and cumulative abnormal returns (CAR). Moreover, after controlling for sentiment intensity, reports from authoritative media can effectively buffer market panic. The theoretical contributions of this study are reflected at two levels. First, by constructing a quadratic polynomial model, it breaks through the previous analytical paradigm that relied on linear relationships, providing a basis for quantifying the dynamic changes in the impact of public sentiment. Second, it analyzes the moderating effect of media authority attributes, laying a solid foundation for subsequent in-depth research.

Keywords

negative public sentiment, stock price volatility, nonlinear relationship, quadratic polynomial model, media authority attribute

1. Introduction

In the digital economy era, the precise reach of algorithmic recommendations and the viral dissemination of social media have joined forces, causing the spread speed and impact scope of negative public sentiment—a typical form of “bad news”—to expand exponentially, completely breaking through the spatiotemporal barriers and circle limitations of traditional communication [1]. From Weibo hot searches to Douyin trending topics, negative public sentiment can cover diverse groups—including individual retail investors, institutional

investors, and industry regulators—within a short time, and its impact on the stable operation of the capital market has become increasingly prominent.

This phenomenon is particularly pronounced in the food industry, which is closely related to people's livelihood and well-being: because the food industry directly concerns public health and safety, consumers and investors exhibit far higher sensitivity to relevant negative information than in other industries, and the negative effects are more targeted and devastating. Whether substantive safety issues such as substandard product quality, violations in production processes, or packaging and storage problems, or reputation-related negative rumors, all can spread rapidly through the internet in a viral manner, triggering investors' risk-averse psychology and panic selling behavior [2]. Such shocks not only cause the stock prices of the affected companies to plummet in the short term and result in severe market value shrinkage, but may also generate a "domino effect," implicating other compliant enterprises in the industry and even extending to the entire sector. Therefore, studying the underlying mechanisms by which negative public sentiment affects stock price volatility is not only a frontier topic at the intersection of finance and communication studies, but also a practical requirement for maintaining the stable operation of the capital market. Given the high relevance of the food industry to people's livelihood and well-being, this study focuses on this field and selects Qiaqia Food Co., Ltd.—a representative Chinese food industry enterprise that has experienced several major negative events with far-reaching impact and wide dissemination between 2015 and 2025—as the specific research object.

When exploring the relationship between public sentiment and stock prices, previous studies have mostly been based on the assumption of "linear impact." For example, Tetlock's research employed linear models and concluded that negative sentiment intensity is linearly negatively correlated with the magnitude of stock price declines—specifically, that for every one-unit increase in the proportion of negative words in media coverage, abnormal stock returns decline linearly. However, investor behavior in real markets cannot be adequately captured by linear models. Behavioral finance points out that investors exhibit significant psychological biases, such as loss aversion and overreaction, and their processing of information often displays nonlinear characteristics. When the intensity of negative public sentiment exceeds a certain threshold, investors' emotions may shift from rationality to panic, leading to a "tipping point" phenomenon of accelerated market declines. Moreover, existing literature provides relatively scarce empirical testing of nonlinear dynamic mechanisms. Therefore, building upon prior research, this study innovatively adopts a "nonlinear" model by introducing the quadratic term of negative public sentiment as a variable to thoroughly investigate its impact on stock price volatility.

In addition, the channels of information dissemination are also a key variable affecting market reactions. Authoritative media, with their credibility and influence, play an irreplaceable role in information verification and public opinion guidance. Existing studies have shown that media attributes can moderate the credibility and dissemination effects of information; however, in the process of negative public sentiment impacting stock prices, whether it amplifies the destructive power of public sentiment or alleviates market panic, along with the specific pathways and effects involved, remains unclear with inconsistent conclusions in direct empirical evidence. In particular, the complex interaction between the credibility of authoritative media and the emotional contagion of public sentiment constitutes a current research gap. Therefore, this study incorporates media authority attributes into the model to deeply explore their role in the framework of negative public sentiment's impact on stock price volatility.

This study takes the "mechanism of the impact of negative public sentiment on stock price volatility" as its core objective and employs rigorous empirical analysis methods, integrating behavioral finance and information asymmetry theories, to conduct an in-depth investigation of the relationship between negative public sentiment and stock price volatility. Recognizing that traditional linear models struggle to accurately capture the nonlinear characteristics of stock price shocks during the escalation of public sentiment intensity, this study innovatively constructs a quadratic polynomial regression econometric framework. By introducing the quadratic term of public sentiment intensity, it breaks through the existing simple linear understanding of the relationship between the two. The study not only aims to systematically examine the transmission mechanisms between negative public sentiment and stock price volatility and clarify the quantitative association between sentiment intensity and stock price movements, but also seeks to thoroughly analyze the moderating mechanism of media authority attributes in this process—testing the differentiated roles of

authoritative and non-authoritative media in public sentiment transmission and exploring whether they can mitigate or amplify the impact of negative public sentiment on stock prices.

From a theoretical perspective, this study further enriches the academic research system on the relationship between negative public sentiment and stock prices in two ways: first, by introducing the quadratic term of public sentiment intensity to construct a nonlinear econometric model, it transcends the traditional singular linear cognition of the relationship, providing a new analytical framework for parsing the dynamic evolution patterns of stock price volatility under escalating public sentiment intensity and remedying the deficiencies of existing research in nonlinear mechanism testing; second, by incorporating media authority attributes as a moderating variable, it clarifies the differentiated action mechanisms of media with different attributes in the relationship between public sentiment and stock prices, offering empirical references for subsequent studies on moderating effects.

From a practical perspective, the conclusions of this study can provide targeted guidance for corporate decision-making: enterprises can optimize risk management strategies based on the nonlinear characteristics of public sentiment intensity, rationally allocate resources for responding to different levels of public sentiment, and simultaneously reduce the market impact of negative public sentiment by choosing authoritative media for information disclosure and public relations responses. For the industry, the research results can serve as a reference for improving public sentiment governance systems in the food industry and promoting rational investor decision-making, helping the industry build a more robust trust mechanism and risk prevention system, and advancing the high-quality coordinated development of the capital market and the food industry.

2. Theoretical Foundation and Related Concepts

2.1 Behavioral Finance Perspective

The efficient market hypothesis of traditional finance asserts that asset prices can fully and promptly reflect all available information, with investors acting rationally [3]. However, phenomena such as abnormal stock price fluctuations and herding effects do exist in reality, posing a clear challenge to traditional finance. Therefore, behavioral finance introduces a psychological perspective, systematically revealing the cognitive biases and emotional factors present in investors' decision-making processes, thereby providing the core theoretical foundation for understanding the market's irrational responses to negative public sentiment [4]. The loss aversion principle in prospect theory reveals that investors experience far greater pain when facing losses than the joy derived from equivalent gains. This asymmetric psychological phenomenon often results in the impact of negative public sentiment far exceeding the actual shock it can cause to the market. Moreover, the value function curve of this theory exhibits convex characteristics in the loss domain, meaning that as the intensity of public sentiment increases, the marginal pain felt by investors shows an increasing trend. This constitutes the mechanistic foundation of the present study: the impact of negative public sentiment on stock price volatility exhibits accelerating features, far from a simple linear relationship. At the same time, investors' information processing capacity is also one of the research dimensions of behavioral finance, referring to the inherent limitations of investors' ability to process information. The limited attention theory points out that, in today's information-explosion market, high-impact negative public sentiment—owing to its salience and emotional shock—tends to exceed investors' cognitive boundaries more readily and interferes with their decision-making to a greater extent [5]. Studies show that cognitive biases such as overconfidence, ambiguity aversion, loss aversion, and anchoring collectively influence investors' decisions. This bias in attention allocation further triggers information cascade effects, forming waves of market selling [6].

2.2 Information Asymmetry Theory

In financial market trading mechanisms, information asymmetry is a core element of market microstructure theory, continuously affecting asset pricing efficiency and the stable operation of markets. Different market participants exhibit systematic differences in information acquisition channels, information processing capabilities, and levels of professional analysis. In this study, this implies significant disparities among insiders of listed companies, institutional investors, and retail investors in the timing of accessing negative public sentiment and the depth of understanding it. Such information differences mean that retail investors, when confronted with negative public sentiment, are unable to accurately judge the authenticity and reliability of the

news in a short time, nor can they precisely assess its potential impact on the company's value. In such circumstances, they typically rely on industry-average valuation levels for the company, a behavior that accelerates stock price declines and may even trigger the "lemons market" phenomenon, i.e., the adverse selection process in which inferior companies drive out superior ones [7].

Furthermore, in the era of deep digital media penetration, this phenomenon is further amplified. Digital dissemination channels such as short videos exacerbate information oversupply; in an environment of information explosion, this substantially increases the cost of screening effective information, making it even more difficult for information-disadvantaged parties to distinguish key information [8]. When facing uncertainty, information-disadvantaged investors experience a sharp amplification of inherent behavioral biases such as loss aversion and mental accounting; they are more inclined to rely on the representativeness heuristic, overgeneralizing from individual negative events and thereby triggering collective overreactions [6]. Under the interaction of information asymmetry and investor cognitive biases, stock prices ultimately exhibit nonlinear responses to negative public sentiment, resulting in the accelerated stock price declines observed in this study.

2.3 Media Authority Attributes

In the digital media era of information explosion, the complexity and diversity of information sources make media authority attributes a key factor influencing the effectiveness of information dissemination. Media authority refers to the degree of audience trust that media organizations gain through their professionalism, credibility, and influence [1]. In the mechanism by which negative public sentiment affects stock price volatility, media authority attributes not only influence the credibility of information but also play an important moderating role in investors' decision-making.

The moderating role of media authority attributes in the process of negative public sentiment affecting stock price volatility is primarily reflected in the following three aspects:

First, in terms of information verification, authoritative media possess professional teams and strict review mechanisms to verify the authenticity of negative public sentiment. The involvement of authoritative media can effectively curb the spread of false information and reduce abnormal market price fluctuations caused by distorted information [9].

Second, at the level of rational guidance, authoritative media analyze industry backgrounds and data, and feature expert commentary. This helps investors identify the most authentic and useful information amid diverse sources, breaking the information cocoon effect and providing multi-dimensional considerations for decision-making, thereby effectively mitigating overreactions caused by information asymmetry.

Third, at the level of emotional stabilization, authoritative media possess strong credibility that can effectively stabilize market sentiment. Their statements enhance the accuracy of information, reduce investors' panic over unknown information, and thereby alleviate the spread of market panic.

3. Research Hypotheses on the Impact of Negative Public Sentiment on Stock Prices

Based on the frameworks of behavioral finance, information asymmetry theory, and media authority attributes theory, this study constructs a quadratic regression model of negative public sentiment's impact on stock price volatility. It aims to deeply explore the nonlinear relationship between the intensity of negative public sentiment and cumulative abnormal returns (CAR), as well as the moderating role of media authority attributes therein, and proposes the following hypotheses:

3.1 Nonlinear Relationship between Negative Public Sentiment Intensity and Stock Price Volatility

In traditional linear models, the impact of negative public sentiment on stock prices is assumed to be constant. However, according to prospect theory in behavioral finance, investors' sensitivity to losses exhibits convex functional characteristics, that is, as losses increase, the marginal pain experienced by investors shows an increasing trend. Therefore, when the intensity of negative public sentiment is relatively low, investors can still maintain rational judgment. Yet once the intensity exceeds a certain critical threshold, investors' panic

emotions increase significantly, triggering irrational panic selling behavior and thereby intensifying the decline in stock prices. Meanwhile, information asymmetry theory also reveals that information-disadvantaged investors, when facing high-intensity negative public sentiment, are more likely to rely on the representativeness heuristic, overgeneralizing from individual events and triggering collective overreactions [8]. This paper proposes the following hypotheses:

H1: There is a significant negative relationship between the intensity of negative public sentiment and cumulative abnormal returns (CAR).

H2: There exists an accelerating negative nonlinear relationship between the intensity of negative public sentiment and CAR.

3.2 Moderating Role of Media Authority Attributes

Media authority attributes play a crucial role in the mechanism by which negative public sentiment affects stock price volatility. Drawing on information asymmetry theory and media authority theory, authoritative media—by virtue of their credibility and professionalism—provide investors with accurate and reliable information, thereby reducing investors’ panic over unknown information. The authority attributes of media can significantly influence the dissemination effect of public sentiment, as statements from authoritative media can guide investors toward rational judgments, serving as market stabilizers and alleviating the excessive panic caused by negative public sentiment.

H3: Media authority attributes have a significant positive impact on CAR.

4. Empirical Research

4.1 Data Sources

This study takes Qiaqia Food Co., Ltd. (stock code: 002557) as the research object. Qiaqia Food Co., Ltd. was listed in 2011 and is the first listed company in China’s nut and roasted seeds industry, pioneering the industry’s standardized and capitalized development. Its core business covers the production and sales of nut roasted seeds, baked goods, and potato chip leisure snacks. Flagship products such as Red Bag Fragrant Sunflower Seeds, Blue Bag Flavored Sunflower Seeds, and Small Yellow Bag Daily Nuts are household names. The company is a representative enterprise in China’s food industry and experienced several major negative events with far-reaching impact and wide dissemination between 2015 and 2025. Therefore, studying it holds representative significance. The data for this study are derived from negative public sentiment events of the company occurring between 2015 and 2025. Due to restrictions imposed by anti-crawling technologies, all data were manually collected. Specific sources include authoritative media platforms such as Xinhuanet and People’s Daily, social media platforms such as Weibo where negative events were mentioned, as well as announcements from Qiaqia Food Co., Ltd. and regulatory authorities.

4.2 Data Preprocessing

To ensure the rigor and reliability of the data, this study applied strict preprocessing to the raw data in the following manner. First, a screening for public sentiment intensity was conducted to ensure that all collected events possessed sufficiently high public sentiment intensity, i.e., they were widely known to the majority of people and capable of exerting a measurable impact on the market. Ultimately, 80 valid event samples were collected, covering food safety incidents (event type = 1) and other types of incidents (event type = 0), ensuring diversity and representativeness of event types. Although the sample size is relatively small, this approach is widely accepted in in-depth studies targeting specific enterprises. Relevant studies have demonstrated that rigorously designed small samples in event studies can still yield reliable statistical inferences [10]. In addition, this paper adopts the event study method, using the event day as the benchmark ($t = 0$), selecting the $[-5, +5]$ event window, estimating normal returns with the market model, and calculating CAR. Samples are retained only if $|CAR| \geq 3\%$ or public sentiment intensity ≥ 7.5 . The CAR calculation formulas are as follows:

Abnormal return:

$$AR_{i,t} = R_{i,t} - R_{m,t}$$

$$R_{i,t} = \frac{P_{i,t} - P_{i,t-1}}{P_{i,t-1}} \times 100\%$$

$$R_{m,t} = \frac{I_{m,t} - I_{m,t-1}}{I_{m,t-1}} \times 100\%$$

where, $AR_{i,t}$ is the abnormal return of stock i on day t ; $R_{i,t}$ is the actual return of stock i on day t ; $R_{m,t}$ is the expected (normal) return on day t ; $P_{i,t}$ and $P_{i,t-1}$ are the closing prices of the stock i on day t and day $t-1$, respectively, and $I_{m,t}$ and $I_{m,t-1}$ being the closing indices of the market on day t and day $t-1$, respectively.

Cumulative abnormal return:

$$CAR_i(t_1, t_2) = \sum_{t=t_1}^{t_2} AR_{i,t}$$

4.3 Variable Measurement

4.3.1 Comprehensive Measurement of Public Sentiment Intensity (X_1)

To overcome the limitations of traditional studies that measure public sentiment intensity solely through the number of reports or sentiment polarity, this study follows the core logic of “multi-dimensional comprehensive evaluation” and “differentiated weight assignment” in quantifying public sentiment intensity (X_1). The aim is to construct a comprehensive indicator that can fully and objectively reflect the market penetration power of negative public sentiment. The core lies in viewing negative public sentiment as an “information flow,” whose impact intensity on the market primarily depends on its combined performance in the domains of authoritative sources and public emotion.

First, the quantification time window is strictly limited to the critical 72-hour period following event exposure. Data are collected through two parallel paths: the media dissemination path and the social-emotional path.

On the media dissemination path, source authority is taken as the core measurement dimension and operationalized according to the hierarchical structure of media credibility and influence: central-level and national financial authoritative media are assigned a weight of 2 points, while provincial- and municipal-level mainstream media are assigned a weight of 1 point. This weighting scheme is based on the significant advantages of higher-tier media in reputation, coverage, and agenda-setting capability; their reports transmit stronger signals to the market and more effectively shape public cognition [11].

On the social-emotional path, to avoid bias from a single platform, this study simultaneously collects Weibo reading and discussion volumes along with Douyin video play volumes to measure the breadth of public sentiment dissemination. Sentiment analysis technology is employed to calculate the average negative sentiment confidence score of comment texts, yielding an indicator of public emotional intensity.

Second, the two paths are integrated: the initial data obtained above are subjected to Z-score standardization, and the standardized data are synthesized following multi-dimensional comprehensive evaluation methods [12].

4.3.2 Measurement of Media Authority (X_2)

This study holds that, in the complex modern information ecosystem, media authority is not a single attribute but a composite of institutional status, content professionalism, and social credibility. Therefore, media are clearly divided into “authoritative media” and “non-authoritative media.” Authoritative media include government official information release channels, central-level comprehensive and professional media, and national core financial media; all others are classified as non-authoritative media. In quantification, this study adopts the dummy variable method. If the first exposure or key defining report of a negative public sentiment event originates from the aforementioned authoritative media category, the media authority attribute variable (X_2) is assigned a value of 1; otherwise, it is assigned a value of 0.

4.4 Research Design

Based on the econometric analysis framework of the event study method, this study constructs a quadratic polynomial regression model to test the nonlinear impact mechanism of negative public sentiment on stock price volatility and to explore the moderating role of media authority. The following quadratic polynomial regression model is established:

$$Y_{CAR} = \beta_0 + \beta_1 X_1 + \beta_2 X_1^2 + \beta_3 X_2 + \varepsilon$$

where Y_{CAR} is the cumulative abnormal return within the event window; X_1 is the comprehensive score of public sentiment intensity; X_1^2 is its squared term, used to verify possible nonlinear effects; X_2 is media authority (dummy variable); and ε is the random error term.

According to the behavioral finance theory presented earlier, the introduction of the quadratic term is based on the theory's indication that investors' sensitivity to losses exhibits convex functional characteristics, i.e., marginal pain increases as losses grow. If β_2 is significantly negative, it indicates that the negative impact of public sentiment on stock prices intensifies with increasing sentiment intensity, thereby validating Hypothesis H2.

5. Empirical Analysis

5.1 Regression Results and Findings

Table 1: Descriptive Statistics Results

variable	coefficient	standard error	T value	P value
constant term	-37.6067	18.1712	-2.07	0.0441
Public opinion influence degree	102.2598	42.6653	2.40	0.0207
Square term of public opinion impact	-73.5557	24.8287	-2.96	0.0048
Media Authority Attribute	0.5652	0.2626	2.15	0.0366

The results in Table 1 lead to the following conclusions: The coefficient of the linear term β_1 of public sentiment intensity (X_1) is 102.2598, which is significantly positive at the 5% level; the coefficient of its squared term (β_2) is -73.5557, which is significantly negative at the 1% level. These two coefficients jointly validate Hypothesis H2, confirming a significant inverted U-shaped (initially rising then declining) nonlinear relationship between negative public sentiment intensity and CAR. This finding breaks through the limitations of traditional linear models, indicating that the impact of public sentiment on the market has a critical threshold. Once this threshold is exceeded, the cumulative effect of negative emotions dominates the market, leading to accelerated stock price declines. The coefficient of the media authority attribute (X_2) is 0.5652, which is significantly positive at the 5% level, supporting Hypothesis H3. This indicates that, all else being equal, negative public sentiment events first reported by authoritative media result in an average stock price abnormal decline that is approximately 0.57 percentage points smaller than those reported by non-authoritative media.

In addition, to more intuitively understand the characteristics of the inverted U-shaped relationship, this study calculates the marginal effect of public sentiment intensity (X_1) on CAR. Within the sample observation range of X_1 , all marginal effects are negative, and their absolute values increase monotonically with X_1 , exhibiting the characteristic of "accelerating negative impact."

5.2 Model Evaluation

Table 2: Diagnostic Test Results

Inspection Item	statistic	P value
Jarque-Bera normality test	1.148	0.563
Heteroscedasticity test	Breusch-pagan:LM=4.796	0.187
	White:LM=7.123	0.130

To ensure the reliability of the research conclusions, this study conducted rigorous statistical diagnostics on the baseline quadratic regression model. The diagnostic results in Table 2 indicate that the model satisfies the core assumptions of classical linear regression, and its statistical inferences are highly valid.

First, the model residuals passed the normality test. The Jarque-Bera test statistic is 1.148, with a corresponding p-value of 0.563, which is well above the 0.1 significance level. This means we cannot reject the null hypothesis that the residuals follow a normal distribution. The normality of residuals is an important foundation for parametric significance tests (such as t-tests and F-tests). The satisfaction of this condition ensures the rigor of subsequent statistical inferences regarding the significance of regression coefficients.

Second, the model does not suffer from heteroscedasticity. This study employed both the Breusch-Pagan test (LM=4.796, p=0.187) and the White test (LM=7.123, p=0.130), which is more robust to nonlinear forms, for cross-validation. The p-values of both tests exceed 0.1, indicating the absence of heteroscedasticity.

6. Conclusion

This study, grounded in behavioral finance and information asymmetry theory, constructs a quadratic polynomial analysis framework of “negative public sentiment intensity—media authority attribute—cumulative abnormal returns,” taking a representative enterprise in China’s food industry as the research object. It empirically examines the nonlinear impact mechanism of negative public sentiment on stock price volatility. Through systematic analysis of 50 valid public sentiment events, the study mainly draws the following conclusions:

First, the research confirms that negative public sentiment exerts a significant “accelerating impact” nonlinear effect on stock price volatility. The regression model shows that the combination of coefficients for public sentiment intensity (X_1) and its squared term (X_1^2) clearly reveals an inverted U-shaped relationship between the two. This finding implies that, for negative public sentiment that has already attracted public attention, its market destructive power is not released at a constant rate but exhibits continuously worsening accelerating characteristics. This conclusion provides empirical support for the principles of loss aversion and limited attention theory in behavioral finance.

Second, the study finds that media authority attributes play an important risk-buffering role in the impact of negative public sentiment on stock price volatility. After controlling for public sentiment intensity, negative events first exposed by authoritative media result in significantly smaller abnormal stock price declines compared to those reported by non-authoritative media. This indicates that authoritative media, by virtue of their credibility, professional information verification capabilities, and rational public opinion guidance, can effectively alleviate market over-panic triggered by information ambiguity and emotional contagion.

At the theoretical level, this study breaks through the limitations of traditional linear models. By introducing the quadratic term, it not only verifies the existence of a nonlinear relationship but also precisely depicts the dynamic process of “accelerating deterioration” in the influence of public sentiment, providing a more refined theoretical model for understanding the complex interaction between investor emotions and market prices. At the same time, incorporating media attributes as a moderating variable enriches the research on public sentiment transmission mechanisms.

At the practical level, this study provides guidance for corporate decision-making and risk management measures regarding negative public sentiment. Enterprises can rationally allocate resources and promptly adjust strategies based on the nonlinear characteristics of negative public sentiment intensity identified in this study. At the same time, responding through authoritative media for public relations can, to a certain extent, reduce the impact of negative public sentiment on stock prices.

Also, this study has limitations. Due to its focus on a specific industry and reliance on manual data collection, the sample size is relatively small. Future research can expand to multiple industries and larger samples to test the universality of the conclusions.

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Funding

This research received no external funding.

Conflicts of Interest

The authors declare no conflict of interest.

Acknowledgment

This paper is an output of the science project.

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