DO INTERNET MESSAGE BOARD DISCUSSIONS AFFECT STOCK RETURNS? - A PERSPECTIVE FROM LEAD-LAG PATTERNS OF CO-MENTIONED STOCKS

Hsuanwei Michelle Chen, San Jose State University, San Jose, California, USA

ABSTRACT

In this paper, I study the effects of online stock message board discussions on stock returns, from a particular perspective of a "target" stock and its "co-mentioned" stocks from the each individual online investor. Specifically, I conduct a vector autoregressions analysis to investigate whether the returns of a target stock will lead the returns of its co-mentioned stocks, using the stock discussions from online message boards. The data includes three stocks with their respective five co-mentioned stocks, forming three stock portfolios, from Yahoo! Finance message boards with a time span from 1998 to2007. The findings suggest that, the large firm returns will not only lead small firm returns, as suggested in the previous literature, but can also lead the returns of other similar-scale firms under the same investment interest of online investors. The results also add to the current finance and IS literature, showing a stronger predictive power of large firm returns than that of small firm returns by analyzing the online stock discussions. This research offers a new way of exploring how online discussions can affect stock returns.

Keywords: *Stock Returns; Lead-Lag Patterns; Vetor Autoregressions Analysis; Virtual Communities*