

YouTube 'crypto influencers' shown to have short-term impact on small-cap trading

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Professor Alexander Brauneis. Credit: Nottingham Trent University

The price and trading volume of lower value crypto coins and tokens are being impacted by "crypto influencers" on YouTube, but only in the very short-term, according to a study involving the Center for Finance,

Technology and Society at Nottingham Business School (NBS), part of Nottingham Trent University. The paper is published in the journal *Finance Research Letters*.

Over a six-month period, researchers from NBS and the University of Klagenfurt in Austria watched more than 1,000 videos released by cryptocurrency-focused YouTube channels with more than 200,000 subscribers.

Although all crypto YouTubers stress that they never provide financial advice, they often advertise coins as being "gems" or a "100x" token—a [coin](#) which has the potential to increase in value by up to 100 times. Some channels also offer "shopping lists," thereby promoting specific coins and tokens.

The researchers focused on mentions for select coins or tokens with a sufficiently small market capitalization—less than USD 100 million at the day the YouTube video was released—and investigated [trading](#) behavior in terms of daily dollar trading volume for each coin or token 45 days before the mention and five days after.

While findings showed no differences prior to or on the day of a video release, a positive and highly significant average abnormal returns of 7.0% across the entire sample was observed the day after a video was published. This lag can be explained by the timing of videos released by U.S. based channels in the afternoon, meaning that even coins bought immediately after the video will be attributed to the next day due to universal time cut off, as well as delayed views by subscribers.

Results also showed that the magnitude of price reactions as a result of the YouTube content appears to be inversely linked to the coins' market capitalization. One day post-release "tiny" coins exhibit above average returns of almost 9%, while the numbers for "middle" and "big" coins

are only 7.5% and 3.7% respectively.

However, this affect was seen to be short-lived, as prices reverted and trading volume returned to pre-release levels in just three days, with day three showing above average returns of almost negative 3.0%.

Alexander Brauneis, Professor of Finance and Innovation at the Center for Finance, Technology and Society, said, "New crypto projects are being released every day, so even experienced [investors](#) can struggle to keep up with every single potentially lucrative coin. It is therefore reasonable to assume that many [retail investors](#) will rely on information provided by specialized YouTube channels and, in such a clickbait-shaped environment, their interest may be drawn to actually investing in the tokens mentioned in these videos."

"Our findings point to a substantial increase of token prices in the wake of the release of a video, showing that the people running these channels can be considered as 'crypto influencers' as they influence or even create extra demand for coins they choose to cover."

"Furthermore, many of the tokens covered in these videos are low capitalized and hence are likely illiquid, amplifying the YouTube induced impact on prices and trading volume."

"Investors should proceed with caution however, as we see evidence that these rises are not sustained and are, in fact, very short-term."

More information: Stefanie Moser et al, Should you listen to crypto YouTubers?, *Finance Research Letters* (2023). [DOI: 10.1016/j.frl.2023.103782](https://doi.org/10.1016/j.frl.2023.103782)

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