Inside the mind of investors during COVID-19

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We have all seen the global impact of COVID-19 on world markets and watched the horrific images of Depression-style unemployment queues as countries around the world seek to save their economies with multi-

billion dollar bail out packages.

But what is happening inside the minds of investors during these tumultuous times and how would you measure it?

Dr. Hasan Fallahgoul is a mathematician in the Monash University School of Mathematics Centre for Quantitative Finance and Investment Strategies.

He has been analysing "StockTwits' - a social media platform designed for sharing ideas between investors, traders, and entrepreneurs.

He has just published a 32-page paper which took a deep dive into posts on StockTwits during the pandemic to explore investor beliefs, sentiment and disagreement.

"There are several unexplored and exciting directions for further investigation of social media platforms such as the StockTwits dataset," Dr. Fallahgoul said.

"For example, John Maynard Keynes claims that when there is too much activity in the market, e.g., during a crisis, investors/agents trade mostly by looking at each other's strategies rather than information."

Dr. Fallahgoul analysed almost 3.7 million messages posted to the StockTwits platform between November 30, 2019, and March 31, 2020.

He found that the 'disagreement' between bulls and bears reached an extreme level on March 23, the day the market bottomed and a sharp reverse after this date when stocks began rising.

"If I want to invest based on the relationship between the disagreement and price process on March 23rd, I would take long positions in stocks

that just had the highest disagreement," Dr. Fallahgoul said.

"The same strategies can be taken for the disagreement processes among sectors.

"This time by taking a short/long position in ETFs (Exchange-Traded Funds) related to that sector if the disagreement is low/high."

Dr. Fallahgoul found the pattern of sentiment and disagreement was homogeneous for investors across and within investment philosophy, horizons, and experiences.

However, he noted that the pattern was heterogeneous across sectors, adding that during the pandemic, investors have been most pessimistic about the financial sector and most optimistic about healthcare.

His report indicates that technical investing was most common on StockTwits, followed by growth and momentum, fundamental, and value strategies.

Global macro investors were least represented.

Per time horizon, swing traders comprised the biggest bloc, followed by long-term investors, day traders, and position traders, respectively.

Investors with intermediate experience were most common, followed by novice and professional users.

"The study found that professional investors were more pessimistic, and posted more often on StockTwits, than novice and intermediate investors," Dr. Fallahgoul said.

More information: Hasan A Fallahgoul. Inside the Mind of Investors

During the COVID-19 Pandemic: Evidence from the StockTwits Data, *SSRN Electronic Journal* (2020). DOI: 10.2139/ssrn.3583462

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