Social Media Discussion of Sell-Side Analyst Research: Evidence from Twitter

Andrew C. Call
Arizona State University
andycall@asu.edu

Mehmet Kara
University of Kansas
mehmet@ku.edu

Matt Peterson
University of Kansas
m.peterson@ku.edu

Eric Weisbrod
University of Kansas
eric.weisbrod@ku.edu

Abstract

We examine the discussion of analysts' stock recommendation revisions on Twitter. While many sell-side brokerages ban their analysts from tweeting about their research, over 90% of the revisions in I/B/E/S from 2013 to 2020 are discussed by Twitter users, with a median delay of approximately two hours between the revision announcement and the first revision-related tweet. The extent of revision-related Twitter discussion varies with a number of revision, analyst, and firm characteristics, and favors discussion of upgrade revisions over downgrades as well as revisions issued by analysts employed by larger brokerages. More extensive and more timely revision-related Twitter discussion is associated with a larger and more efficient market response to revision announcements, particularly for tweets with more user engagement. We also find that revision-related Twitter discussion is associated with a positive (negative) retail order imbalance for upgrades (downgrades), with no such association for institutional order imbalance. Overall, our results indicate that Twitter is an important channel in facilitating the price discovery of analysts' research.

Keywords: Sell-side analysts, Twitter, retail investors.